ECONOMIC DEVELOPMENT IN THE DISTRICT OF COLUMBIA: THE ROLE OF THE NATIONAL CAPITAL REVITALIZATION CORP.

HEARING

BEFORE THE

SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

MARCH 8, 2002

Serial No. 107–154

Printed for the use of the Committee on Government Reform

Available via the World Wide Web: http://www.gpo.gov/congress/house
http://www.house.gov/reform

U.S. GOVERNMENT PRINTING OFFICE

84–599 PDF WASHINGTON : 2003

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON GOVERNMENT REFORM

DAN BURTON, Indiana, *Chairman*

BENJAMIN A. GILMAN, New York
CONSTANCE A. MORELLA, Maryland
CHRISTOPHER SHAYS, Connecticut
ILEANA ROS-LEHTINEN, Florida
JOHN M. MCHUGH, New York
STEPHEN HORN, California
JOHN L. MICA, Florida
THOMAS M. DAVIS, Virginia
MARK E. SOUDER, Indiana
STEVEN C. LATOURETTE, Ohio
BOB BARR, Georgia
DAN MILLER, Florida
DOUG OSE, California
RON LEWIS, Kentucky
JO ANN DAVIS, Virginia
TODD RUSSELL PLATTS, Pennsylvania
DAVE WELDON, Florida
CHRIS CANNON, Utah
ADAM H. PUTNAM, Florida
C.L. "BUTCH" OTTER, Idaho
EDWARD L. SCHROCK, Virginia
JOHN J. DUNCAN, JR., Tennessee
——— ———

HENRY A. WAXMAN, California
TOM LANTOS, California
MAJOR R. OWENS, New York
EDOLPHUS TOWNS, New York
PAUL E. KANJORSKI, Pennsylvania
PATSY T. MINK, Hawaii
CAROLYN B. MALONEY, New York
ELEANOR HOLMES NORTON, Washington, DC
ELIJAH E. CUMMINGS, Maryland
DENNIS J. KUCINICH, Ohio
ROD R. BLAGOJEVICH, Illinois
DANNY K. DAVIS, Illinois
JOHN F. TIERNEY, Massachusetts
JIM TURNER, Texas
THOMAS H. ALLEN, Maine
JANICE D. SCHAKOWSKY, Illinois
WM. LACY CLAY, Missouri
DIANE E. WATSON, California
STEPHEN F. LYNCH, Massachusetts
———
BERNARD SANDERS, Vermont (Independent)

KEVIN BINGER, *Staff Director*
DANIEL R. MOLL, *Deputy Staff Director*
JAMES C. WILSON, *Chief Counsel*
ROBERT A. BRIGGS, *Chief Clerk*
PHIL SCHILIRO, *Minority Staff Director*

SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA

CONSTANCE A. MORELLA, Maryland, *Chairman*

TODD RUSSELL PLATTS, Pennsylvania
THOMAS M. DAVIS, Virginia,
——— ———

ELEANOR HOLMES NORTON, Washington, DC
DIANE E. WATSON, California
STEPHEN F. LYNCH, Massachusetts

EX OFFICIO

DAN BURTON, Indiana
HENRY A. WAXMAN, California

RUSSELL SMITH, *Staff Director*
HOWIE DENIS, *Professional Staff Member*
MATTHEW BATT, *Clerk*
JON BOUKER, *Minority Counsel*

CONTENTS

ECONOMIC DEVELOPMENT IN THE DISTRICT OF COLUMBIA: THE ROLE OF THE NATIONAL CAPITAL REVITALIZATION CORP.

FRIDAY, MARCH 8, 2002

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:06 a.m., in room 2154, Rayburn House Office Building, Hon. Constance A. Morella (chairwoman of the subcommittee) presiding.

Present: Representatives Morella and Norton.

Staff present: Russell Smith, staff director; Heea Vazirani-Fales, counsel; Robert White, communications director; Matthew Batt, clerk/legislative assistant; Howie Denis, professional staff member (Davis); Jon Bouker, minority counsel; and Jean Gosa, minority assistant clerk.

Ms. MORELLA. Good morning. I'm going to call this Subcommittee of the District of Columbia to order for the purpose of convening a hearing on economic development in the District of Columbia, the role of the National Capital Revitalization Corp.

It is a pleasure to welcome all of you here today. I certainly want to make mention of our witnesses, all who have impeccable credentials and are dedicated to improving the economic vitality of our Nation.

You know it has been 4 years since the District of Columbia established the National Capital Revitalization Corp., and at the time of the NCRC's creation the District was mired in financial chaos. Redeveloping vacant or rundown properties was seen as one way to help the District rebound and stand on solid economic footing for the long term.

Well, the District has certainly emerged, and now NCRC is poised to begin the transformation of some key properties and projects in the District. The Federal Government, of course, gave the NCRC $25 million in seed money, a welcome sign that the Federal Government was willing to make a substantial contribution to the betterment of the Nation's Capital. Today we are going to examine what is being done and what is planned with that money.

There has been a good deal of excitement about the newly released plan for the Southwest waterfront, and I'm sure we will be talking about that proposal in depth as well as plans for the St. Elizabeth's campus, Georgia Avenue gateway and other projects.

Revitalization is certainly critical for the District, and as I've said many times since taking over as chair of the subcommittee, the District must have three things in order to ensure its long term economic stability. It must have strong schools, low crime, and vibrant, affordable neighborhoods. I think a lot of times we overlook the housing and neighborhood aspect of bringing the city back. Without affordable places to live, the District will not be able to grow its middle class. And we've seen from the recent tax assessments how quickly popular areas of the city can go from affordable to expensive for young families.

Commercial redevelopment is equally important. One of the great success stories of the past few years in the District has been the use of tax credits, and other incentives to spur development enterprise zones.

As we talk about reauthorizing this legislation in the very near future, I believe we should strongly consider extending the enterprise zone designation to the entire District of Columbia. I see no reason why this program shouldn't be used to benefit the entire city.

Finally, the second part of today's hearing will examine the Federal and District Governments' roles in overseeing money spent by nonprofit community development corporations in the city. A recent series in the Washington Post that I know you have read and have reacted to went into great detail about wasteful spending and lack of meaningful progress toward completing projects on behalf of some, not all, but some of these groups. I know I was shocked to read it. About $100 million of Federal and local money has been allocated in recent years to these CDCs and it is clear that not enough oversight has been done in making sure these groups are using the money wisely. It is very frustrating for those of us in Congress to repeatedly learn of wasted opportunities and squandered resources in the District, particularly at a time when city leaders are trying to make the case that the District of Columbia needs more Federal assistance to remain economically viable.

So I thank you all for being here, and I would now recognize the distinguished ranking member, Congresswoman Eleanor Holmes Norton.

Ms. NORTON. Thank you, Mrs. Morella. I want to thank our chair, Congresswoman Morella, for this hearing that focuses on the National Capital Revitalization Corp. as part of our D.C. Revitalization Act passed by Congress in 1997. However, we had to put in considerable further effort to get a provision through Congress, and finally in fiscal year 2000, Congress appropriated $25 million in startup capital for the NCRC as passed by the City Council. In addition, Fannie Mae pledged $75 million in debt and equity financing for housing.

At the press conference introducing the initial four members appointed by the mayor and three appointed by the President, I remember cautioning that considering the long-standing systemic problems the District had had in mounting successful economic development projects, what mattered was for the NCRC to show that it could produce tangible results. Nearly 2 years later, it is fair to ask what has been accomplished thus far. Now that the NCRC has passed its startup phase, we also will be interested in what the corporation can realistically be expected to achieve in both the short and long term.

Many residents who celebrated the coming of the NCRC are confused and concerned about recent reports of deep troubles in parallel neighborhood development organizations, the Community Development Corp. [CDCs]. Of course, the CDCs are not a part of the NCRC.

However, the point of establishing a professionalized development corporation was to bring cohesion to economic development activities in the city. We need to learn how the city means to achieve cohesive and effective economic development with a set of very different institutions, apparently held to different standards. How did the city come to have a $100 million economic development problem today and what is it doing about it, and how it will keep it from happening again if those institutions remain as they are?

Because Department of Housing and Urban Development, or HUD, money is involved, another subcommittee of the House has already asked for a briefing. This is entirely appropriate. However, the D.C. Subcommittee has direct jurisdiction and will be asking the appropriate questions today and following through until satisfied that the CDC problems are under control. I hope that other committees that do not have direct jurisdiction will first allow us to perform our oversight with respect to the Federal funds, and, out of respect for home rule, allow the D.C. City Council to perform its own oversight of the District's economic development apparatus and to take the anticipated corrective action.

It should be noted that the problems in the CDCs were uncovered in the District by the city's own inspector general and that he had done an extensive investigation and prepared a report and had done so before press reports of the problem appeared.

Further, Mayor Williams has indicated that he intends to take back properties from the CDCs if he does not see immediate tangible results, and the City Council will hold a series of hearings beginning on March 14th. This unapologetic response from the city is a departure from old patterns, is typical of the Williams administration and the City Council today, and is exactly what for years the Congress has admonished the District to do. I hope that Congress reinforces the District and home rule when the city takes effective and aggressive action to come to grips with its own problems.

I spend a great deal of my own time on economic development for the District and, whenever appropriate, seek to marry the advantages of the Federal presence as an engine for economic development to the needs of the District. As a member of the subcommittee of basic jurisdiction, the Subcommittee on Economic Development, Public Buildings, and Energy Management, I have had to fight to keep Federal agencies and jobs in the District, such as the Security and Exchange Commission and the Bureau of Alcohol, Tobacco and Firearms, both buildings now going up, and both spurring economic development in blighted areas of the city. The most important of these efforts has been my legislation, Public Law 106–407, the Southeast Federal Center Public-Private Development Act, which will bring private sector development to 55 acres of very valuable Federal land that had been allowed to go to waste by the Federal Government and spur blight for 30 years. The request for proposals to develop this entire 55-acre site near the Anacostia River with a mixture of uses will go out this month.

Moreover, recently the General Services Administration announced that the new Department of Transportation headquarters, the largest single Federal construction project in the District since the massive Ronald Reagan Building, will be built at the Southeast Federal Center.

With the development of the DOT at the Southeast Federal Center will come jobs for D.C. residents and the synergy of private development in mixed use housing, amenities, and amusements.

I particularly appreciate how the majority has worked with me to get valuable economic development tax incentives for economic development in the District. With my allies in the Senate, including Senator Trent Lott, Senator Joe Lieberman and former Senator Connie Mack, we achieved several D.C.-only Federal tax breaks passed in 1997, including a $3,000 wage credit for every D.C. resident employed, zero capital gains taxation, $15 million in tax-exempt bonds and increased business property expensing. Although the Congress limited the use of these benefits to neighborhoods in certain zones, these credits are liberally available in every ward of the city and downtown, and have been responsible for much of the construction boom in the District.

In another D.C.-only tax benefit, the $5,000 home buyer credit has been so popular that, when passed, it immediately made D.C. first in home sales growth in the Nation. Since then it has been a major factor in reversing the flight of D.C. residents from the city. As a result, for the first time in decades, the District's population is in equilibrium, the first city in the United States to stop the flight of residents to the suburbs.

I particularly appreciate how Speaker Dennis Hastert has worked with me to extend both the business tax benefits and the home buyer credit. The Speaker and I have agreed orally and in writing that he will help me extend the credits when they are due to expire at the end of 2003. I am also seeking to extend the D.C. tax credit enterprise zone citywide, as the Chair has just remarked. The zone approach, as she indicates, in a city of this limited size, is inappropriate. It has had irrational results favoring businesses in some neighborhoods over similar businesses in similar neighborhoods.

The District must achieve more benefits and more revenue from more vigorous and targeted economic development. We must all work together to ensure that all the District's economic development machinery is effective. Residents and local businesses have a right to expect substantial benefits not only from the NCRC, but if the District chooses to have a similar neighborhood structure such as CDCs, they must be held to the same high standards.

I welcome today's witnesses and look forward to their testimony. Thank you, Madam Chair.

[The prepared statement of Hon. Eleanor Holmes Norton follows:]

ELEANOR HOLMES NORTON
DISTRICT OF COLUMBIA

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE

SUBCOMMITTEES

AVIATION

ECONOMIC DEVELOPMENT, PUBLIC
BUILDINGS, AND EMERGENCY
MANAGEMENT

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEE ON
GOVERNMENT REFORM

SUBCOMMITTEES

RANKING MINORITY MEMBER,
DISTRICT OF COLUMBIA

CIVIL SERVICE AND
AGENCY ORGANIZATION

Statement of Congresswoman Eleanor Holmes Norton
D.C. Subcommittee Hearing on "Economic Development in the District of Columbia: The Role of the National Capital Revitalization Corporation"

March 8, 2002

I thank the chair for this hearing that focuses on the National Capital Revitalization Corporation (NCRC), which first appeared as part of our D.C. Revitalization Act passed by Congress in 1997. However, we had to put in considerable further effort to get a provision through Congress, and finally, in FY 2000, Congress appropriated $25 million in start-up capital for the NCRC as passed by the City Council. In addition, Fannie Mae pledged $75 million in debt and equity financing for housing. At the press conference introducing the initial four members appointed by the Mayor and the three appointed by the President, I remember cautioning that, considering the longstanding systemic problems the District had had in mounting successful economic development projects, what mattered was for the NCRC to show that it could produce tangible results. Nearly two years later, it is fair to ask what has been accomplished thus far. Now that the NCRC has passed its start-up phase, we also will be interested in what the Corporation can realistically be expected to achieve in both the short and the long term.

Many residents who celebrated the coming of the NCRC are confused and concerned about recent reports of deep troubles in parallel neighborhood development organizations, the Community Development Corporations (CDCs). Of course, the CDCs are not a part of the NCRC. However, the point of establishing a professionalized development corporation was to bring cohesion to economic development activities in the city. We need to learn how the city means to achieve cohesive and effective economic development with a set of very different institutions, apparently held to different standards. How did the city come to have a $100 million economic development problem today and what is it doing about it? Because Department of Housing and Urban Development (HUD) money is involved, another subcommittee of the House has already asked for a briefing. This is entirely appropriate. However, the D.C. Subcommittee has direct jurisdiction, and will be asking the appropriate questions today and following through until satisfied that the CDC problems are under control. I hope that other committees that do not have direct jurisdiction will first allow us to perform our oversight with respect to the federal funds, and, out of respect for home rule, allow the D.C. City Council to perform its own oversight of the District's economic development apparatus and to take the anticipated corrective action. It should be noted that the problems in the CDCs were uncovered in the District by the city's own Inspector General, and that he had done an extensive investigation and prepared a report before press reports of the problem appeared. Further, Mayor Williams has indicated that he intends to take back properties from the CDCs if he does not see immediate tangible results, and the City Council will hold a series of hearings, beginning on March 14th. This unapologetic response from the city is a departure from old patterns, is typical of the Williams administration and the City Council today, and is exactly what for years the Congress has admonished the District to do. I hope that Congress reinforces the District and home rule when the city takes effective and aggressive action to come to grips with its own problems.

I spend a great deal of my own time on economic development in the District, and, whenever appropriate, seek to marry the advantages of the federal presence as an engine for economic development to the needs of the District. As a member of the subcommittee of basic jurisdiction, the Subcommittee on Economic Development, Public Buildings, and Emergency Management, I have had to fight to keep federal agencies and jobs in the District, such as the Securities and Exchange Commission and the Bureau of Alcohol Tobacco and Firearms buildings now going up, spurring economic development in blighted areas of the city. The most important of these efforts has been my legislation, Public Law 106-407, the Southeast Federal Center Public-Private Development Act, which will bring private sector development to 55 acres of very valuable federal land that had been allowed to go to waste by the federal government and spur blight for 30 years. The Request for Proposals (RFP) to develop this entire site near the Anacostia River with a mixture of uses will go out this month. Moreover, recently, the General Services Agency (GSA) announced that the new Department of Transportation headquarters, the largest single federal construction project in the District since the massive Ronald Reagan building, will be built at the Southeast Federal Center. With the development of the DOT at the Southeast Federal Center will come jobs for D.C. residents and the synergy of private development in mixed use housing, amenities, and amusements.

I particularly appreciate how the Majority has worked with me to get valuable economic development tax incentives for economic development in the District. With my allies in the Senate, including Senator Trent Lott, Senator Joe Lieberman, and former Senator Connie Mack, we achieved several D.C.-only federal tax breaks passed in 1997, including a $3000 wage credit for every D.C. resident employed, zero capital gains taxation, $15 million in tax exempt bonds, and increased business property expensing. Although the Congress limited the use of these benefits to neighborhoods in certain zones, these credits are liberally available in every ward of the city and downtown and have been responsible for much of the construction boom in the District in the late 1990s. Another D.C.-only tax benefit, the $5000 homebuyer credit, has been so popular that when passed, it immediately made D.C. first in home sales growth in the nation, and since then, has been a major factor in reversing the flight of D.C. residents from the city. As a result, for the first time in decades, the District's population is in equilibrium, the first city in the United States to stop the flight of residents.

I particularly appreciate how Speaker Dennis Hastert has worked with me to extend both the business tax benefits and the homebuyer credit. The Speaker and I have agreed orally and in writing that he will help me extend the credits when they are due to expire at the end of 2003. I also am seeking to extend the D.C. tax credit enterprise zone citywide. The zone approach in a city of this limited size has lead to irrational results, favoring businesses in some neighborhoods over similar businesses in similar neighborhoods.

The District must achieve more benefits and more revenue from more vigorous and targeted economic development. We all must work together to ensure that all the District's economic development machinery is effective. Residents and local businesses have a right to expect substantial benefits not only from the NCRC, but if the District chooses to have similar neighborhood structures, such as CDCs, they must be held to the same high standards.

I welcome today's witnesses and look forward to their testimony.

Mrs. MORELLA. Thank you, Congresswoman Norton, and thanks for the work you have consistently done through the years and continue to do for our Nation's Capital.

I am now very pleased to have before us our very distinguished panel of witnesses: Rod Heller, Chairman of the Board of the National Capital Revitalization Corp., accompanied by Elinor Bacon of the National Capital Revitalization Corp., and Eric Price, Deputy Mayor for Economic Development, District of Columbia Government, Donald Carey Williams, Regional Administrator, the National Capital Region, Shabbir Safdar, chair of the D.C. Public Affairs Committee of the Greater Washington Board of Trade, and Nelson Bregon, Deputy Assistant Secretary for Grant Programs, the Office of Community Planning and Development of the U.S. Department of Housing and Urban Development.

I am going to ask you as it is the policy of this subcommittee and all committees, if you would stand to be sworn in. I would ask, joining you to stand for the oath, Stan Jackson and Michael Hodge, if they are here. Great. So if you would raise your right hands. I'm going to add a few more to this list. I'm going to add Ronald J. Herbert, who is the Director of Community Planning and Development Division of HUD, and Richard J. Kennedy, Director of the Office of Block Grant Assistance at HUD. So if you would raise your right hand.

[Witnesses sworn.]

Mrs. MORELLA. Thank you. The record will demonstrate an affirmative response by all of you.

So I am very pleased to have you here, as I've said, and we'll get started. What we traditionally try to do is to ask each of you to not expand the 5-minute limit, remembering that your entire testimony will be in the record in its entirety, and therefore we'll have a chance to ask questions of you. So we'll start off then, Mr. Rod Heller, as I mentioned, who chairs the board of the National Capital Revitalization Corp. Thank you, Mr. Heller.

STATEMENTS OF ROD HELLER, CHAIRMAN, BOARD OF THE NATIONAL CAPITAL REVITALIZATION CORP., ACCOMPANIED BY ELINOR BACON, NATIONAL CAPITAL REVITALIZATION CORP.; ERIC PRICE, DEPUTY MAYOR FOR ECONOMIC DEVELOPMENT, DISTRICT OF COLUMBIA GOVERNMENT; DONALD CAREY WILLIAMS, REGIONAL ADMINISTRATOR, THE NATIONAL CAPITAL REGION; SHABBIR SAFDAR, CHAIR OF D.C. PUBLIC AFFAIRS COMMITTEE OF THE GREATER WASHINGTON BOARD OF TRADE; NELSON BREGON, DEPUTY ASSISTANT SECRETARY FOR GRANT PROGRAMS, OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; RONALD J. HERBERT, DIRECTOR, COMMUNITY PLANNING AND DEVELOPMENT DIVISION, HUD; AND RICHARD J. KENNEDY, DIRECTOR, OFFICE OF BLOCK GRANT ASSISTANCE AT HUD

Mr. HELLER. Good morning, Chairperson Morella, Ranking Member Norton. We are delighted to be here. My name is Roderick Heller. I am chairman of NCRC. We have submitted a prepared statement, but I would like to emphasize four points for the benefit of the committee.

First, as the ranking member indicated, our board was sworn in on July 15, 2000. Thus we have been in place approximately 18 months. I think it is fair to say that the status of NCRC is now of an entity already established and moving forward. Indeed, as Congressperson—Chairperson stated, poised to move forward aggressively.

We received on January 15th of this year the RLA portfolio of 88 properties with an assessed value of approximately $600 million, to add to the approximate $80 million of capital to which the ranking member referred. Thus I think at the present time we have a capital base which enables us to balance the business development and related objectives of NCRC with the real estate objectives of the RLA portfolio.

Second, our goal—and indeed I remember well the ranking member's reference when we were sworn in several years ago that we would be judged by action. Our goal is not to engage in studies or comprehensive planning but to implement programs quickly and efficiently and to try to bring private sector objectives. As an example of what we're trying to do, I would like to refer you to the first award our board has made under the RLA program, that is the designation of a group led by Horning Brothers for the wax museum site at 5th and K. We imposed—and I believe this is the first time certainly in the District and one of the first times nationally—a series of conditions on the developer which included not only completion of the project within a certain time and letter of credit guaranty of project completion, but also a participation sharing such that NCRC and the District generally will benefit if the developer over a certain time achieves returns in excess of 12, 15 and 20 percent. And we expect to follow that kind of program to ensure that District land is always used not only to the benefit of the developer, but to the District as well.

Third, I would like to emphasize again a statement that the ranking member made. In talking with many people who have been long observers of the District economic development scene, constant reference is made to the dissipation and fragmentation of the economic development approach. We have too many entities engaged in too many fragmented initiatives. What NCRC hopes to achieve is to become a center of excellence to which people will turn as economic questions arise and to become a group that will be able to move quickly and effectively. We recognize that this is not going to be handed to us on a platter. We have to earn the reputation as a center of excellence. We must demonstrate in our programs and our actions that we are an entity that can get things done and achieve the economic development goals of the city.

Last, I would like to refer to the tax incentives that were passed in 1997 to which the ranking member referred. My background personally is that of a lawyer and a participant in business turnarounds for the last 20 years. I have been long enthusiastic about several of the components in that tax program, and particularly, the waiver of capital gains taxes for enterprises established which conduct most of their businesses within certain areas of the District. That program has not been used to its fullest, but it offers enormous potential, I believe, for attracting the kind of business activity that we need in this city. And we look forward at NCRC to working with members of this House in carrying that forward.

With that background, I now turn to Elinor Bacon, the chief executive officer of NCRC, who will describe what we have been doing and what we hope to achieve.

[The prepared statement of Mr. Heller follows:]

NCRC
BUILDING OUR CAPITAL CITY

TESTIMONY OF

JOHN RODERICK HELLER
CHAIRMAN
NATIONAL CAPITAL REVITALIZATION CORPORATION

BEFORE

THE SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENT REFORM

ECONOMIC DEVELOPMENT IN THE DISTRICT OF COLUMBIA –
THE ROLE OF THE NATIONAL CAPITAL REVITALIZATION CORPORATION

FRIDAY, MARCH 8, 2002
10:00 A.M.
ROOM 2154 RAYBURN HOUSE OFFICE BUILDING

Good morning, Chairperson Morella, Ranking Member Norton and Members of the House Subcommittee on the District of Columbia Committee on Government on Reform. My name is John Roderick Heller and I am the Chairman of the Board of Directors of the National Capital Revitalization Corporation (NCRC).

We greatly appreciate the strong interest in the District that you and your colleagues exhibit and commend you for holding this hearing today on NCRC and its role in economic development in the District. We also appreciate your enthusiasm and leadership in supporting the Federal/District partnership represented by NCRC.

I am pleased to appear before you this morning on behalf of the NCRC Board of Directors. As you know, NCRC was established to help revitalize the District and in particular its underserved neighborhoods. The Board is comprised of nine members including three appointed by the President and four by the Mayor. They include: Madeline McCullough, NCRC Vice Chair and Director of The Enterprise Foundation's Washington DC Office; Marie Drissel, Director of Finance and Human Resources, World Links Organization; Greg Farmer, Vice President for Government Relations and International Trade, Nortel Networks; Karen Hardwick, Partner, Hogan & Hartson; Larry Parks, Senior Vice President for External and Legislative Affairs of the Federal Home Loan Bank of San Francisco; Honorable Anthony Williams, Mayor of the District of Columbia, Ex-Officio, represented by Deputy Mayor Eric Price and Natwar Gandhi, Chief Financial Officer, Ex-Officio, and myself. We currently have one Board vacancy.

My colleagues on the Board and I have a common vision for NCRC as we focus our efforts on the city's neighborhoods. We are working closely with our many stakeholders and partners, and with local Advisory Neighborhood Commissions (ANCs) and civic associations in order to spur economic growth. Our goal is not to engage in studies or comprehensive planning, but rather to implement programs quickly and efficiently. We are leveraging our activities both with the private sector and other governmental actors. We are entrepreneurial rather than bureaucratic.

My Board colleagues and I were installed in July 2000 and operations were launched in January 2001 with the hiring of Elinor Bacon, President and CEO. Since that time, we have worked hard to set up the infrastructure that is necessary for success, and to launch into programs that implement our mission. With that, I would like to turn our presentation over to Ms. Bacon who will present the balance of our testimony.

* * * * * *

Ms. BACON. Thank you, Mr. Heller. Good morning, Chairman Morella and Ranking Member Norton. My name is Elinor Bacon. I am the president and chief executive officer of the National Capital Revitalization Corp. I would like to thank you for this opportunity to present testimony this morning. This is the first time the NCRC has appeared before your committee since its establishment, and we thank you for this honor and this opportunity to discuss NCRC's role in the economic development of the District of Columbia.

In my testimony today I would like to summarize four areas: Our mission; what we have accomplished to date; our plans for the foreseeable future; and how our work strengthens and complements the work of my esteemed colleagues here today.

NCRC was established by an act of the council of the District of Columbia in 1998. It is an independent corporate instrumentality. We are charged with a specific mission, that of spurring economic development throughout the District and creating jobs for District residents through real estate development, business development and finance, and jobs creation.

We focus our resources on the District's neighborhoods and in particular those areas that have been underserved, such as the areas east of the Anacostia River and across and along the Georgia Avenue corridor. Our map up here shows our priority areas, which include Columbia Heights, Georgia Avenue, the Howard-Shaw area, NoMa, H Street, Southeast Washington, east of the river, Buzzards Point and the Southwest waterfront.

In all our development activity, we work in close connection with Deputy Mayor Eric Price and his staff, including Andrew Altman, who heads the exemplary Office of Planning. The planners plan, we implement. We work closely together so the plans they develop are plans that we can move forward.

In addition to our cooperative relationship with the District's planners, we also work closely with the National Capital Planning Commission.

Partnerships with other District and Federal agencies and local and regional organizations, including those represented here today, are critical to ensure that our collective efforts to promote job training, economic development and real estate development throughout the District are well coordinated.

With regard to our Federal partners, we are in discussion about our mutual goals and possible cooperative efforts with the General Services Administration. Currently we are engaged in complementary development efforts in the Southeast, such as the Southeast Federal Center as Capper Carlsburg redevelopment. And as NCRC establishes a track record and its expertise increases, we look forward to continuing our dialog about other opportunities.

With regard to our funding, as you mentioned, we received a $25 million appropriation. We do not receive operating funds. To help us become self-sustaining, NCRC was given the power of eminent domain with council approval and the authority to raise capital through the sale of bonds. We can also receive contributions of funds, property and other assets, and we intend to earn fees from financing development management and service programs.

We also received a commitment of $75 million from Fannie Mae, as mentioned. We are thrilled by the Federal commitment which demonstrates the strength of this unique Federal city partnership to improve the economic health of the District, and by the Fannie Mae commitment, the only one of its size and scope in the Nation.

Let me take a moment to thank you, Chairman Morella, for your leadership and your keen interest in economic development in the District and your support for NCRC's efforts. We tremendously appreciate your support. And we also want to thank Ranking Member Norton for all of her help, and she has been a staunch advocate in the District in so many aspects of economic development.

As you are aware, NCRC's priority areas include the enterprise zones and the range of benefits which you mentioned included in the Taxpayer Relief Act are key to the success of our efforts. For example, several of the developers who are competing for our site at 5th and K Streets included enterprise zone tax bonds—or tax enterprise zone bonds in their financing packages. We would hope that this act would be continued and extended districtwide since it is a vital tool in our economic development tool box.

We greatly appreciate our partnership with all the branches of the Federal Government. The Federal Government is critical to our mission of building our capital city. In NCRC's first year, we have accomplished a great deal. First, we completed, secured approval of our organizational documents and policies. We got the organization up and running by securing space, professional staff and support, and putting systems into place. And finally we actually launched our economic development activities.

Some of our programmatic accomplishments include the following: First, in connection with the proposed redevelopment of the Southwest Waterfront, NCRC acquired the leasehold interest in the Gangplank Marina with half of the funding provided by the District. As you will recall, Congresswoman Morella and Delegate Norton, you participated in the exciting event last spring when Mayor Williams announced the Anacostia waterfront initiative at a meeting of more than 500 people in Southwest Washington,a comprehensive effort to plan for the redevelopment of our beautiful but underutilized waterfront.

The primary purpose of our acquiring the leasehold interest was to have a seat at the table in moving the redevelopment forward. We have wonderful assets in the Southwest such as the fish market, as you well know, a Federal lease. We want to build these assets to make a waterfront which is a wonderful neighborhood and destination for District residents and visitors. Here is the fish market and our initial plan for what we hope we will be able to do there. And also an artist's rendering of what our concept is of what it could be.

We also have been working diligently with the Hillcrest community east of the Anacostia River. The rendering of what the artist sees that the Southwest could look like. We have been working diligently with the Hillcrest community east of the river in support of Mayor Williams and council member Chavous on the community's effort to transform an underdeveloped shopping center called Skyland of potentially 16 acres to a vibrant retail center that would reflect the demographics of the area.

With regard to business development, we hired a long time District leader in the field of business development, Mr. Kwasi Holman, and he is working to develop a program which should be done—a plan for which will be done in the next couple of months.

In January, we announced an agreement with the three District-based community banks to put money into the three banks, which include Adams National Bank, City First Bank of D.C., and Independence Federal Savings Bank. These deposits will allow these banks to spur economic development in underserved neighborhoods.

We also assumed, as Mr. Heller mentioned, the powers and the responsibilities of the board of the Redevelopment Land Authority transferred to NCRC as well as its assets. And the first development that we are working on is the transformation of the wax museum site at 5th and K. And here you can see a before picture of what it looks like now, and an artist's rendering of what is planned to go there.

We are very pleased with our progress, but we fully recognize there is much more to accomplish. We are tackling our challenges day by day and moving forward with deliberate speed. We have launched into a strategic planning process that we intend to complete within the next few months which includes developing a plan for self-sufficiency and long range programmatic plans for the next 3 to 5 years.

During our first year, we believe we established an excellent working relationship with our many partners and our stakeholders. We genuinely value these relationships as critical to our success and we appreciate the support and cooperation we have received. We know that our partners and stakeholders have high expectations and the NCRC and our LARC board and staff are fully committed to meeting and exceeding these expectations.

Mr. Heller and I will welcome your questions. Thank you.

[The prepared statement of Ms. Bacon follows:]

NCRC
BUILDING OUR CAPITAL CITY

TESTIMONY OF

ELINOR BACON
PRESIDENT AND CEO
NATIONAL CAPITAL REVITALIZATION CORPORATION

BEFORE

THE SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENT REFORM

ECONOMIC DEVELOPMENT IN THE DISTRICT OF COLUMBIA –
THE ROLE OF THE NATIONAL CAPITAL REVITALIZATION CORPORATION

FRIDAY, MARCH 8, 2002
10:00 A.M.
ROOM 2154 RAYBURN HOUSE OFFICE BUILDING

Good morning, Committee Chairperson Morella, Ranking Member Norton and Members of the House Subcommittee on the District of Columbia, Committee on Government Reform.

My name is Elinor Bacon, and I am the President and Chief Executive Officer of the National Capital Revitalization Corporation. I would like to thank you for the opportunity to present testimony to you this morning. This is the first time the NCRC has appeared before your committee since its establishment, and we thank you for this honor and opportunity to discuss NCRC's role in the economic development of the District of Columbia.

In my testimony today, I would like to summarize four areas: our mission; what we have accomplished to date; our plans for the foreseeable future; and how our work strengthens and complements the work of my esteemed colleagues here today to testify before your Committee.

As Deputy Mayor Price has stated, NCRC was established by an Act of the Council of the District of Columbia in 1998. It is an independent corporate instrumentality of the District of Columbia government. We are charged with a specific mission: spurring economic development throughout the District and creating jobs for District residents, through real estate development, business development and business finance. We focus our resources on the District's neighborhoods and, in particular, those areas that have been under served, such as the areas east of the Anacostia River and along the Georgia Avenue corridor.

Our mission is to implement economic development revitalization. We were not chartered to, and do not intend to act as planners. The District of Columbia has an exemplary Office of Planning, led by Andrew Altman under Deputy Mayor Price, and we work in close cooperation together, so the plans they develop are plans that we can move forward. We are the implementers. In addition to our cooperative relationship with the District's planners, we also work closely with the National Capital Planning Commission.

Partnerships with other District and Federal agencies, and local and regional organizations, including those represented here today, are critical to ensure that our collective efforts to promote job training, economic development, and real estate development throughout the District are well coordinated. For example, Deputy Mayor Price represents the Mayor ex-officio on our Board, and the District's Chief Financial Officer, Natwar Gandhi, also serves ex officio. I participate in the Deputy Mayor's Economic Development and Housing Cluster groups, comprised of his top staff. We work with the Chamber of Commerce and the Washington DC Marketing Center to attract new businesses into the District, and early on established a close working relationship with the Board of Trade. We look forward to working with the Board's new President, Robert Peck, on a range of initiatives, particularly those that support and promote local, small and disadvantaged businesses.

Since economic development and housing must go hand-in-hand, we also work closely with the District's key housing agencies including the Department of Housing and Community Development, the Housing Finance Agency and the Housing Authority. We are also working on job development with the District's Department of Employment Services.

With regard to our Federal partners, we are in discussion about our mutual goals and possible cooperative efforts with the General Services Administration. Currently we are engaged in complimentary redevelopment efforts in Southeast Washington and, as NCRC establishes a track record and expertise, we look forward to continuing our dialogue regarding other opportunities.

NCRC received a $25 million Appropriation from Congress in 1999 that we consider a seed investment. To help us become self-sustaining, NCRC was given the power of eminent domain, with Council approval, and the authority to raise capital through the sale of bonds and other endeavors. We can receive contributions of funds, property and other assets, and intend to earn fees from financing, development management, and service programs.

We also received a commitment of $75 million from Fannie Mae to be used for debt and equity in projects with a housing component. We are thrilled by the Federal commitment, which demonstrates the strength of this unique Federal/City partnership to improve the economic health of our nation's Capital, and by the Fannie Mae commitment -- the only one of its size and scope in the nation.

We want to thank you, Chairperson Morella, for your leadership and your keen interest in economic development in the District and your support for NCRC's role in that effort. We also want to thank Ranking Member Eleanor Holmes Norton who has been a staunch advocate for the District in so many aspects of economic development. As you are aware, NCRC's priority areas include the District's Enterprise Zones, and the range of benefits included in Delegate Norton's Taxpayer Relief Act of 1997 are key to the success of our efforts. For example, several of the developers competing for one of our sites at 5th and K Streets, for example, included Enterprise Zone bonds in their financing packages. We would hope that the Act would be extended, since it is a vital tool in our economic development toolbox, and extended District-wide. NCRC greatly values its partnership with all branches of the Federal Government. You are critical to the success of our mission of "Building our Capital City."

Returning to NCRC's history and work to date, our Board of Directors was appointed in May 2000, and installed in July of that year. Since that time, NCRC and its Board have had four major tasks: (1) completing and securing approval of NCRC's organizational documents and policies; (3) making the organization operable by securing space, employing professional and support staff, and putting operational systems in place; and (4) launching our economic development activities.

I wish to make note that the Board is firmly committed to full public participation in all aspects of our operations. It seeks community input in every activity it undertakes including the development of our Revitalization Plan and Performance Plans; soliciting proposals for real estate development projects; carrying out developer selection processes, etc. All Board meetings are held in the community, and we soon will hold a website community focus group to assure that our upgraded website will be user friendly to residents and businesses in the District.

In our first year of operations we accomplished a great deal. With regard to our organizational and operational documents, we developed a Revitalization Plan and a Performance Plan, each of which was approved by the District Council, along with our ethics, procurement and personnel policies and procedures. These documents set forth our policies, organizational goals and direction for the coming years.

With respect to real estate development, we made progress in many of our priority focus areas, which include Columbia Heights, Georgia Avenue, the Howard/Shaw area, NoMa (North of Massachusetts Avenue), H Street, Southeast Washington, East of the River, Buzzard Point, and the Southwest Waterfront.

For example, in connection with the proposed redevelopment of the Southwest Waterfront, NCRC acquired the leasehold interest in the Gangplank Marina, with half of the funding provided by the District. Since that time, NCRC has worked closely with the boaters, who formed the Gangplank Slipholders Association, to assure that the Marina is well managed and responsive to concerns of the slipholders. With input from the live-aboards, NCRC selected Coastal Management as the Marina's new manager, and we are working cooperatively to effectively manage the marina.

The primary purpose of acquiring the Gangplank leasehold interest was to "have a seat at the table" in moving the redevelopment of the Southwest forward, in connection with the Anacostia Waterfront Initiative. The purchase was also a solid business investment, however, and NCRC is receiving a positive return on its capital invested.

Last fall, NCRC's Board committed $150,000 to the Office of Planning's Anacostia Waterfront Initiative to fund a development plan for the Southwest Waterfront, one which we can use to attract developers, secure stakeholder support, seek financing and work with existing lessees on redevelopment plans. A preliminary plan was presented at a community meeting last week, attended by more than 300 people. Many questions and concerns were raised in this fully open process, and the outcome was extremely positive.

As you will recall, Congresswoman Morella and Delegate Norton, you participated in the exciting event last spring, when Mayor Williams announced the Anacostia Waterfront Initiative at a meeting of more than 500 people in Southeast Washington, a comprehensive effort to plan for the redevelopment of our beautiful but underutilized waterfront. Today, less than a year later, we have the foundation of a real development plan which will bring 800-900 new housing units, 250,000 square feet of retail and office space, a new hotel, open space, new public piers and a cultural institution, hopefully the Children's Museum, to the Southwest Waterfront. Implementation of the plan will transform this resource into a great residential and mixed-use community for District residents and visitors to our Capital city. The final plan will be presented in May. We will need significant infrastructure funding to make the plan a reality, and look forward to further discussions with you and your colleagues about this effort.

NCRC also played a key role in the successful $35 million HOPE VI application submitted to HUD for the redevelopment of the Capper Carlsburg Public Housing Project in Southeast Washington. We will be a partner in the redevelopment effort, in land assemblage and redevelopment of the mixed-use aspects of the development. This important redevelopment effort is closely tied to the redevelopment of the Southeast Federal Center, GSA land that will be privately redeveloped thanks to the landmark legislation introduced by Delegate Norton. We look forward to working closely with GSA to assure that the developments compliment and support each other.

NCRC worked diligently with the Hillcrest Community, East of the Anacostia River, with the support of Mayor Williams and Council Member Chavous, on the community's effort to transform the underdeveloped Skyland Shopping Center of potentially 16 acres, into a vibrant retail center that reflects the demographics of the area. A brokerage team is working to assemble the land and a retail team is in place to assist NCRC through the redevelopment process and assure that top value is achieved. We just received nine letters expressing interest from prospective local and national retail shopping center developers, and project the selection of a development partner due by the end of this month.

NCRC also has been working in cooperation with the Office of the Deputy Mayor and Howard University on plans for a town center and to revitalize the Howard/Shaw cultural area.

Although most of our development activities will involve projects of a larger scale, we also are pursuing a location for a sit-down restaurant on Georgia Avenue. If successful, this effort will be a strong demonstration of the economic viability of retail development along the Georgia Avenue Corridor, and will spur further economic development in this important commercial corridor.

We also initiated explorations into possible redevelopment projects at other locations on Georgia Avenue, H Street and the Mt. Vernon triangle. We will complete analyses of these opportunities in the coming year and, if deemed economically feasible, will move toward implementation.

With regard to business development, business finance and jobs creation, we just hired a long-term District leader in the field of business development, Kwasi Holman, to head this important effort for NCRC. He is exploring a range of program options currently and, by the end of April, we will have developed a strategic plan for business development, business finance and jobs creation. There are many efforts in this area underway in the District, and NCRC is working to identify our appropriate niche, so we can coordinate efforts, call on the resources of others, and focus on addressing unmet needs.

In January, NCRC announced an agreement with three District-based community banks that meet the criteria of Local, Small and Disadvantaged Business Enterprises: Adams National Bank, City First Bank of DC and Independence Federal Savings Bank. NCRC deposited $2 million into the accounts of each bank to spur economic development within underserved District communities. Finally, NCRC's Board assumed responsibilities for the Board of the Economic Development Finance Corporation on January 16, 2002, and we currently are exploring how to maximize the value of the EDFC assets.

On July 15, 2001, the powers and functions of the Board of Directors of the District's Redevelopment Land Agency were transferred to NCRC. As you know, the RLA was formed in 1946 to acquire deteriorated properties, demolish them, and dispose of the parcels, using Urban Renewal funds. The RLA land assets currently total $312 million. In October 2001, Emergency Legislation was passed to transfer the assets of DC RLA to the RLA Revitalization Corporation (RLARC), a subsidiary of NCRC. Since that time, we have been working with The Department of Housing and Community Development, which previously managed the properties, the Office of the Deputy Mayor for Planning and Economic Development, and HUD to transfer the RLA's assets. The necessary agreements to finalize that transfer were executed between the City, DHCD, and the RLA Revitalization Corporation on January 16, 2002

In addition to handling the administrative matters associated with transfer of the portfolio, RLARC has managed the selection of the developer for the Wax Museum site, a three-acre site in the NoMa area. This very exciting development will spur the redevelopment of the Mount Vernon Triangle, adjacent to the new Convention Center, as part of Mayor Williams' Downtown Action Plan. The redeveloped property will house more than 500 households in rental, condominium and live-work artist units, a percentage of which will be affordable to families earning between 30 and 80 percent of the Area Median Income. It will also include approximately 50,000 square feet of retail and art space, and amenities such as a theater shell for the Washington Stage Guild and a 25,000 square foot grocery store. RLARC currently is managing the selection of developers for seven RLA parcels in Columbia Heights; the selection of developers is projected for the end of the month.

In 2002, RLARC plans to issue an RFP for development of the former Shaw Community Health Center, develop a plan for disposition of other parcels in Shaw, develop RFPs for disposition of other assets in which interest has been exhibited, and develop an overall disposition strategy for the balance of the RLA assets.

As I hope you will agree, the NCRC/RLARC team has accomplished a great deal this past year. We are developing our organization as a "Center of Excellence" with a highly skilled real estate team that is ready to take on major projects. We have demonstrated over the year that we meet deadlines and get things done. We are pleased with our progress, but fully recognize that there is much more to accomplish. We are tackling our challenges one-by-one and moving ahead with deliberate speed. We have launched into a strategic planning process that we intend to complete within the next few months. This process includes developing a plan for self-sufficiency, and long-range programmatic plans for the next three to five years.

For the coming year we will devote our efforts to bring to fruition, or at least make significant progress toward the implementation of the redevelopment efforts mentioned earlier which we initiated this year. These projects include the redevelopment of the Skyland Shopping Center, the redevelopment of the Southwest Waterfront, the Wax Museum and the seven parcels in Columbia Heights. We also will conduct feasibility analyses and proceed, as expeditiously as possible, with other developments currently in the early stages. Some of these include redevelopment of the H Street Corridor; commercial nodes along Georgia Avenue; and other opportunities East of the River. Finally, with our District and Federal partners we will help to move forward the large-scale, complex Federal/District projects that will require much planning and cooperation to complete. They include St. Elizabeth's Hospital, the South Capitol Gateway, Buzzard Point, and McMillan Reservoir.

We will implement our business development/business finance program to support existing businesses and attract new ones with the goal of increasing the tax rolls and providing jobs and business opportunities to existing and new residents. In this regard we will work closely with the entities represented here today, and with others.

During our first year, we established excellent working relationships with our many partners and stakeholders. We genuinely value these relationships as critical to our success, and we appreciate the support and cooperation we have received. We know that our partners and stakeholders have high expectations for NCRC. The NCRC/RLARC Board and staff are fully committed to meeting and exceeding these expectations. Mr. Heller and I will welcome your questions, and look forward to working closely with you as we move forward our ambitious agenda.

Mrs. MORELLA. Thank you very much, Ms. Bacon, for that very extensive testimony. I note that you have more even in the written testimony that you have submitted.

I am pleased to recognize Eric Price, the Deputy Mayor for Economic Development for the District of Columbia.

Mr. PRICE. Good morning, Chairwoman Morella, Ranking Member Norton. My name is Eric Price and I am the Deputy Mayor for Planning and Economic Development in the District of Columbia. I also serve as the representative for Mayor Anthony Williams on the board of directors of the National Capital Revitalization Corp.

One of my primary tasks upon being appointed by Mayor Williams in October 1999 was to make the NCRC operational. I am pleased to come before you today to report on those efforts and how NCRC fits into the mayor's overall economic development strategy for Washington, DC.

Because the subcommittee's hearing notice also requested information about the District's current enterprise zone laws, I am accompanied today by Michael Hodge, the director of the Industrial Revenue Bond program. Mr. Hodge is the point person in my office with respect to economic development incentives that were included in the District of Columbia Revitalization Act and Taxpayer Relief Act of 1997. We believe that these incentives, including the enterprise zone benefits and the home buyer tax credit, have been very successful and I want to thank Ms. Norton in particular, as well as other Members of Congress, for enacting these important economic development initiatives.

On behalf of Mayor Williams, I ask Congress to extend these incentives which are set to expire at the end of 2003 and make enterprise zone citywide. Mr. Hodge will address these matters in more detail on questions.

Because Mr. Heller and Ms. Bacon talked about NCRC operational matters, I will skip that part of my testimony. I will talk about where they are operationally, and I am going to go straight to NCRC in the context of the District's economic development structure.

As we know, the vision was for the entity that would operate more like a private sector with fewer of the many constraints of government but still consistent with economic development and policies and planning developed with significant local government and community input. It is important to note that when the council first passed the NCRC Act in 1998, the economic fortunes of the District were very different than they are today. The District was in the third year of the control board. Years of budgetary retrenchment have weakened or decimated the District's government, planning, business, regulatory, and economic development apparatus. There was a real and perceived reduction of executive branch leadership on economic development issues. And in such an environment it is understandable that the District government would seek to create an expansive new entity to focus on economic revitalization. Then, as now, economic revitalization remains critical to all our hopes and aspirations for the District. A strong tax base, with all that means for enhanced home rule and real self-determination, schools with the resources to prepare our students for an ever more competitive world, neighborhoods that are reborn with new and rehabilitated housing, and commercial activity offering opportunity to long time residents and newcomers as well.

The environment in which NCRC operates today, however, is much different, although the need for it remains the same. Working with the council, Mayor Williams is reinvigorating the operations of the District government. We have significantly rebuilt the Office of Planning and improved the delivery of services to businesses and residents. The mayor and the executive branch are fully engaged and working hard to attract new businesses from technology companies to retailers and to provide opportunities for existing businesses to expand and prosper.

The business community is responding by investing over $12 billion in development capital in the District of Columbia. Forbes, Fortune and Black Enterprise magazines have all touted the economic renaissance now under way. Yet the long term economic future of the District is uncertain and much work remains. As the mayor, chief financial officer, Nat Gandhi, and Representative Norton have all said, constraints imposed upon the District's ability to benefit fully from the economic activity generated within our borders places the District one financial emergency away from physical calamity. I hope that sooner rather than later Congress will review and direct these structural impediments to the District's long term financial health.

In the meantime, I believe that NCRC will play an important role in helping us to accomplish the work that still must be done. I meet with Elinor Bacon on average at least once a week and she or a member of my staff attends my regular interagency meetings on housing and business development. NCRC is present at the table when the mayor convenes his monthly meetings with the entire economic development cluster. NCRC is a full and important component of that cluster, which includes the Office of Planning, the Department of Housing and Community Development, the Department of Employment Services, and the Department of Consumer Regulatory Affairs, as well as several others. Because its charter is so broad and demand is so great, NCRC runs the risk of becoming involved in everything and accomplishing very little. The mayor and board have expressed a desire for NCRC to achieve tangible results as quickly as possible, to work closely with but not duplicate the work that other District agencies—the work of other District agencies, and for the corporation's business plan to complement the District's economic development initiatives and objectives as established by the mayor and council.

Mayor Williams believes that NCRC can be most hopeful and effective by serving as a focused entrepreneurial real estate company that works with the District government to implement significant real estate projects that strengthen the District's economic base.

The corporation should also stand ready to provide other agencies such as the Department of Housing and Community Development with high quality transactional and asset management services for parcels owned, leased, or financed by the District. For its part, the District has transferred to NCRC the portfolio of the former Redevelopment Land Agency, and already NCRC has moved to expedite the disposition of long-held District parcels such as the old wax museum site, as referred to by Elinor Bacon.

In closing, I hope that you will agree that NCRC is now poised to make a real impact on the future development of the District. NCRC has the support of the mayor and council. The support of Congress and the President will also be required as the corporation matures and takes on new tasks. We appreciate the important partnership that has been established between the Federal and District governments in creating NCRC and look forward to the many things we can do together to build the Nation's capital.

I want to thank you, Chairwoman Morella and Congresswoman Norton, for your interest in and support of the District's economic development efforts. Thank you.

[The prepared statement of Mr. Price follows:]

TESTIMONY OF

ERIC PRICE
DEPUTY MAYOR
FOR
PLANNING AND ECONOMIC DEVELOPMENT

BEFORE

THE SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENT REFORM

UNITED STATES HOUSE OF REPRESENTATIVES

ECONOMIC DEVELOPMENT IN THE DISTRICT OF COLUMBIA – THE ROLE OF THE NATIONAL CAPITAL REVITALIZATION CORPORATION

FRIDAY, MARCH 8, 2002
10:00 AM
ROOM 2154 RAYBURN HOUSE OFFICE BUILDING

Good morning Chairwoman Morella, Ranking Member Norton, other Members of the Subcommittee and staff. My name is Eric Price and I am the Deputy Mayor for Planning and Economic Development in the District of Columbia Government. I also serve as the representative for Mayor Anthony Williams on the Board of the Directors of the National Capital Revitalization Corporation. One of my primary tasks upon being appointed by Mayor Williams in October 1999 was to make the National Capital Revitalization Corporation (NCRC) operational. I am pleased to come before you today to report on those efforts and how NCRC fits into the Mayor's overall economic development strategy for Washington, D.C.

Because the Subcommittee's hearing notice also requested information about the District's current Enterprise Zone laws, I am accompanied today by Michael Hodge, Director of the Industrial Revenue Bond Program. Mr. Hodge is the point person in my office with respect to the economic development incentives that were included in the District of Columbia Revitalization Act and Taxpayer Relief Act of 1997. We believe that these incentives, including the Enterprise Zone benefits and the Homebuyer Tax Credit, have been very successful and want to thank Ms. Norton, in particular, as well as other members of Congress for enacting these important economic development incentives. On behalf of Mayor Williams, I ask Congress to extend these incentives, which are set to expire at the end of 2003, and make the Enterprise Zone city-wide. Mr. Hodge will address these matters in more detail in his testimony.

NCRC Operational Matters

I am pleased to report to you today that NCRC is fully functional and is making a valuable contribution to the economic development of the District. As I stated earlier, when I assumed my current position, one of my principal tasks was to make NCRC operational. To that end, my staff and I initially met with various stakeholders to gain a better understanding of the expectations and original plan of those who were instrumental in developing the concept of NCRC. We also investigated the structure and operation of similar municipal development corporations across the nation. But just as important, we began putting in place the nuts and bolts, the real infrastructure for the new corporation. During the winter of 1999-2000, we worked to finalize the selection of both Mayoral and Presidential appointees to the new Board of Directors and began discussions as to how the new corporation would operate. We began efforts to recruit a first rate Chief Executive Officer, one with experience in the type of public/private transactions that NCRC was designed to foster. In the spring of 2000, we moved the Mayoral appointees to the Board through the Council's confirmation process and began efforts to secure office space and equipment. We worked with Board nominees to develop draft corporate organizational documents and policies.

At the first official meeting of the Board of Directors on July 15, 2000, the Board elected officers and approved the corporation's bylaws. The first Board meeting also triggered the release of a $25 million Federal appropriation to the corporation. The funds were transferred to the Corporation on August 18, 2000. Pursuant to the legislation establishing NCRC, the date of the first official Board of Directors meeting also triggered a clock by which NCRC had to accomplish certain tasks: within 180 days NCRC had to present its Revitalization Plan to Council, within 120 days it had to present to Council proposed criteria for assistance. Even as the Board began a series of community meetings to receive citizen input on these matters, the Board also moved toward selection of the corporation's first Chief Executive Officer. Elinor Bacon was selected by the Board in the Fall of 2000 and she began work in January 2001. Ms. Bacon has assembled an excellent core staff of professionals with the type of skills and experience that will be an asset to the corporation and the District.

NCRC in Context of the District's Economic Development Structure

As you know, President Clinton announced a National Capital Revitalization and Self-Government Improvement Plan for the District of Columbia on March 11,1997. Recognizing the District's need to improve economic opportunities for its residents and businesses, he among other things called for the creation of a new economic development entity whose mission would be to spur economic development activity through a variety of tools. The vision was for an entity that would operate more like the private sector with fewer of the many constraints of government, but still consistent with economic development policies and planning developed with significant local government and community input. It was ultimately determined that the new entity would be created by the District Government rather than the Federal Government.

On May 5, 1998, the District Council adopted the National Capital Revitalization Corporation Act of 1998 which became effective on September 11th of that year. The Act, which has amended several times since then, established a new corporation -- an independent instrumentality of the District – which has a broad mandate to retain and provide for the expansion of businesses located within the District, attract new businesses, and enhance economic development activity and job creation. To achieve its mission, the legislation authorized the Corporation to use a variety of tools, including the significant capital investment from the federal government and the authority to offer tax increment financing, tax incentives, and revenue bonds to assist in project financing.

It is important to take note that when the Council first passed the NCRC Act in 1998, the economic fortunes of the District were very different than they are today. The District was in the third year of the Control Board. Years of budgetary retrenchment had weakened or decimated the District government's planning, business regulatory and economic development apparatus. There was a real and perceived reduction of executive branch leadership on economic development issues.

In such an environment, it understandable that that the District government would seek to create an expansive new entity to focus on economic revitalization. Then, as now, economic revitalization remains critical to all of our hopes and aspirations for the future of the District --- a strong tax base, with all that that means for enhanced Home Rule and real self determination; schools with the resources to prepare our students for an evermore competitive world; neighborhoods that are reborn with new and rehabilitated housing and commercial activity offering opportunity to long-time residents and newcomers as well.

The environment in which NCRC operates today, however, is much different, although the need for it remains the same. Working with the Council, Mayor Williams is reinvigorating the operations of the District government. We have significantly rebuilt the Office of Planning and improved the delivery of services to businesses and residents. The Mayor and executive branch are fully engaged and working hard to attract new businesses, from technology companies to retailers, and to provide opportunities for existing businesses to expand and prosper. The business community is responding by investing over $12 billion dollars in development capital in the District of Columbia. Forbes, Fortune and Black Enterprise magazines have all touted the economic renaissance now underway.

Yet, the long term economic future of the District is uncertain and much work remains. As the Mayor, Chief Financial Officer Nat Gandhi and Representative Norton have all said, the constraints imposed on the District's ability to benefit fully from the economic activity generated within our borders places the District one financial emergency away from fiscal calamity. I hope that sooner, rather than later, Congress will review and correct these structural impediments to the District's long-term financial health. In the meantime, I believe that NCRC will play an important role in helping us accomplish the work that must still be done. I meet with Elinor Bacon on average at least once a week and she or a member of her staff attend my regular inter-agency meetings on housing and business development. NCRC is present at the table when the Mayor convenes his monthly meetings with the entire economic development cluster. NCRC is a full and important component of the cluster, which includes the Office of Planning, the Department of Housing and Community Development, the Department of Employment Services, the Department of Consumer and Regulatory Affairs and several others.

Because its charter is so broad and the demands so great, NCRC runs the risk of becoming involved in everything and accomplishing very little. The Mayor and Board have expressed a desire for NCRC to achieve tangible results as quickly as possible, to work closely with, but not duplicate the work of other District agencies, and for the corporation's business plan to complement the District's economic development initiatives and objectives as established by the Mayor and Council.

Mayor Williams believes that NCRC can be most helpful and effective by serving as a focused, entrepreneurial real estate company that works with the District government to implement significant real estate projects that strengthen the District's economic base. The corporation should also stand ready to provide other District agencies, such as Department of Housing and Community Development, high quality transactional and asset management services for parcels owned, leased or financed by the District. For its part, the District has transferred to NCRC the portfolio of the former Redevelopment Land Agency (RLA). And already, NCRC has moved to expedite the disposition of long held District parcels such as the old Wax Museum site in the Mount Vernon Square neighborhood and several parcel in Columbia Heights. In her testimony, I am sure that Ms. Bacon will go into more details on these and other upcoming projects.

In closing, I hope that you will agree that NCRC is now poised to make a real demonstrable impact on the future development of the District. NCRC has the support of the Mayor and Council. The support of Congress and the President will also be required as the corporation matures and takes on new tasks. We appreciate the important partnership that has been established between the Federal and District governments in creating NCRC and look forward to the many things we can do together to build the Nation's Capital. I want to thank you Chairwoman Morella and the other Members of the Subcommittee for your interest in and support of the District's economic development efforts.

That concludes my formal testimony. I would be happy to address any questions that you or other Members of the Subcommittee may have.

Mrs. MORELLA. Thank you, Mr. Price. I am now pleased to turn the microphone over to Donald Carey Williams, regional administrator for the National Capital Region. Thanks, Mr. Williams.

Mr. WILLIAMS. Thank you, Chairwoman Morella, Ranking Member Norton. My name is Donald C. Williams, the regional administrator for the General Services Administration's National Capital Region. I have a pretty bad cold, but I am pleased to be with you today and have the opportunity to discuss the impact that GSA, through the work of the National Capital Region, has on the economic development of the District of Columbia.

As the largest real estate management organization in the Washington metropolitan area, NCR manages over 49 million square feet office and other space used in the District of Columbia, of which one-third of that space is leased directly from the commercial marketplace.

The economic impact of NCR's real property activity is far-reaching. Currently new construction activities total over $213 million in the District of Columbia alone. One project provides a signature building as well as a gateway to the District on New York Avenue in the Bureau of Alcohol, Tobacco and Firearms headquarters that Congresswoman Norton spoke of earlier.

The region's leasing activity has a significant impact on the local office market as about 10 percent of lease space expires each year. Additionally, NCR typically spends about $1 billion annually on lease payments.

NCR's proudest heritage is our historic inventory of buildings in Washington, DC. Many of these buildings are well over 50 years old and now only being renovated for the first time since built. Currently GSA is spending $1.6 billion in the District, including renovations of the Department of Justice and Eisenhower Executive Office buildings. We take our stewardship of these historic structures very seriously.

NCR has over 15 years of experience in working with alternative approaches to major redevelopment projects such as the completion of the Pennsylvania Avenue Development Corp. work here in the District of Columbia. Therefore we recognize the potential of working with the National Capital Revitalization Corp. and some of the projects here in the District that may interact with GSA.

In our more traditional role as Federal real estate manager, NCR's work is also an important catalyst to the area's economy. For instance, the Ronald Reagan Building and International Trade Center includes over 3 million square feet of government and private sector space, demonstrating our ability to combine governmental and private sector functions.

In the Penn quarter section I am especially proud of the efforts of the Tariff Building. GSA employed the National Historic Preservation Act to assist in the redevelopment of this historic building. When completed, this renovation and conversion project will have injected $32 million into this historic project and the District's economy.

One of our most impressive examples of the use of development, innovative development tools is NCR's ongoing redevelopment of the Southeast Federal Center. The most important milestone for the redevelopment of this area was the passage of the Southeast

Federal Center Public/Private Development Act of 2000. Congresswoman Norton's leadership was instrumental in this legislation which gives GSA exceptional flexibility in developing this important site.

NCR has worked closely with the District to ensure the anticipated mixed use development will provide far-reaching benefits to all parties.

GSA also manages the disposition of surplus real property. The disposal activities in Washington, DC, were formerly managed out of GSA's Atlanta office, but due to the unique needs of this region, and particularly the real estate market in Washington, DC, Administrator Perry recently established a property disposal office here in the National Capital Region.

There are disposal projects that will have an important impact on the local marketplace such as the west campus of St. Elizabeth's Hospital. St. Elizabeth's Hospital opened for business in the 1850's, and its last patient left there in—left its west campus in the 1960's. Under the jurisdiction of the Department of Health and Human Services, the west campus site comprises about 186 acres with some 50 buildings. Many of the buildings are in such decline now that they cannot be used. The District's Department of Mental Health is in the process of consolidating its operations to the east campus which it already controls. The St. Elizabeth's property provides a significant opportunity for both GSA and the District of Columbia. As NCR looks to the future of the west campus, there needs to be a close coordination with the District on planning of the overall site.

In closing, I would like to reiterate that we recognize our impact on the local economy and continue to make decisions that reflect a sensitivity to it. We are committed to working with the District of Columbia whenever possible, attempting to ensure that all parties receive benefits from the Federal presence here in Washington, DC. In particular, NCR looks forward to identifying opportunities to work with the National Capital Revitalization Corp. on behalf of the District on certain projects of mutual interest.

NCR is committed to working closely with our customer agencies, the marketplace that provides us with services and space, the District of Columbia, and you, as we face challenges of our unique mission. I want to thank you, Chairwoman and Ranking Member Norton, for your interest and support for our work in the Nation's capital and am prepared to answer questions if you have any. Thank you very much.

[The prepared statement of Mr. Williams follows:]

STATEMENT OF

DONALD C. WILLIAMS

REGIONAL ADMINISTRATOR

NATIONAL CAPITAL REGION

U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE

SUBCOMMITTEE OF THE DISTRICT OF COLUMBIA

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

MARCH 8, 2002

Chairwoman Morella, Members of the Subcommittee, my name is Donald C. Williams, the Regional Administrator for the General Services Administration's (GSA's) National Capital Region. I am pleased to have the opportunity to discuss the impact that GSA, through the work of its National Capital Region (NCR), has on the economic development of the District of Columbia.

GSA's mission is to provide the best value to our customers through superior workplaces, expert solutions, acquisition services and management policies. For this presentation, I will focus on the real property functions that allow us to meet our goal to provide world-class workplaces for Federal agencies in Washington DC (District). Specifically, I will provide an overview of some of the work of NCR that directly affects the District.

As the largest real estate management organization in the Washington metropolitan area, NCR manages over 86 million square feet of space, of which 49 million square feet is in the District of Columbia. Over one-third of the space managed by the Region in the District is leased directly from the commercial market.

In addition to our direct real property impact, GSA is the largest non-Defense procurement agency in the region. A recent Brookings Institution study estimates total Federal procurement expenditures reached $28.6 billion in 2000. In that year alone, GSA spent $4.5 billion with half of the total being spent in the District. The Brookings study indicates the growth in Federal spending between 1999 and 2000 accounted for 25% of all the new jobs created in the Region during that period. So, NCR has an impact on the economy of the Washington metropolitan area, both directly and indirectly.

In real property terms, GSA is the government's landlord. NCR's associates work with our customers to plan, design, construct, manage, renovate, and dispose of real estate. Especially here in Washington, we serve as the stewards of the buildings that are owned by the United States of America. The buildings situated here, are emblematic of our government. When visitors come to Washington, DC, they may not remember all the sites they see, but they will surely remember the grand buildings that house our government. Therefore, it is imperative that we in the National Capital Region ensure that these iconic structures continue to exemplify our republic.

The economic impact of NCR's real property activities is far-reaching. Currently, new construction activity totals about $1.2 billion throughout the Region. Of this total, over $213 million is occurring in the District, with two projects noteworthy of the impact NCR's activities have on the community. One project provides a signature building for the Bureau of Alcohol, Tobacco & Firearms (ATF), while the other project constructs a needed enlargement of the E. Barrett Prettyman Courthouse. There is additional NCR construction activity elsewhere in the Region, such as the new Federal Drug Administration headquarters, which is being built in White Oak, Maryland.

As well as constructing new government-owned buildings, NCR leases over 18 million square feet of space from the Washington, DC private sector. While our leasing volume has held relatively constant, it continues to have a significant impact on the local office market. This is because approximately 10% of NCR's leases expire each year. For instance, about 5 million square feet of space has expired in each of the last two fiscal years. Of NCR's total spending on procurements in 2000, about $1 billion was used for lease payments. I was very proud to recently announce one of GSA's largest leases ever for the new headquarters of the Department of Transportation in the Southeast Federal Center (SEFC) area.

NCR's proudest heritage is embodied in our government-owned, historic inventory of buildings here in Washington, DC. Many of these buildings are over 50 years old, and much of the inventory is only now being renovated for the first time since built. Currently, GSA is spending $1.7 billion on renovations throughout NCR, of which $1.6 billion will be used in the District. Projects here include the Department of Justice, ICC/Customs/Connecting Wing, and the

Herbert Hoover Building, which are all in the Federal Triangle. Nearby, we are renovating the Department of the Interior, the Harry S Truman Building, and the Eisenhower Executive Office Building. NCR takes our stewardship of the historic structures in Washington, DC very seriously and will continue to do everything within our means to maintain them as working government buildings, as well as symbols of the government that they represent.

It is my understanding that much of today's hearing concerns the activities of the National Capital Revitalization Corporation (NCRC). The NCRC is an entity created to manage designated development projects in the District of Columbia. It can both initiate new real estate development projects through partnerships with the private sector, and provide real estate consultant services for parcels controlled by the District. NCR has experience in working with alternative approaches to major redevelopment projects here in Washington, DC. Therefore, we recognize the potential of working with NCRC, as they represent the District in some of the projects that may interact with those being executed by GSA.

Over the last 15 years, NCR has utilized several alternatives to traditional project development, administration and execution. Such projects as NCR's completion of the Pennsylvania Avenue Development Corporation's (PADC) work, underscores the potential for benefits from our work being experienced by the District.

I am pleased to report that virtually all of these parcels have been committed for development. Last November, ground was broken for Square 457, the last PADC parcel available for development. As a mixed-use residential development, this conversion of the District's oldest downtown area into a lively community will serve office workers, tourists, and residents.

In our more traditional role as Federal real estate manager, NCR's work is also an important catalyst to the area's economy. The Ronald Reagan Building and International Trade Center, the second largest Federal office building in the country, includes over 3 million square feet of government and private sector office space, convention facilities, a food court, and a new restaurant operated by Michael Jordan. This project demonstrates NCR's ability to combine governmental and private sector functions. It also completes the work on the historic Federal Triangle, which was begun in the mid-1920s.

GSA projects can have positive impacts on specific neighborhood such as the new headquarters for ATF at the intersection of Florida and New York Avenues, NE. This project will provide a major gateway on the New York Avenue corridor and play a major role in the redevelopment of part of the city that is now in transition. This project stands as an example of GSA providing an impressive headquarters building for our customer while furthering the redevelopment efforts of the District of Columbia.

In the Penn Quarter section, I am especially proud of our efforts with the Tariff Building. GSA employed the National Historic Preservation Act to assist in the redevelopment of this historic site. The Kimpton Group is converting the Tariff Building into a first class, boutique hotel, with 170 rooms and a restaurant. Kimpton signed a unique, 60-year lease with GSA to obtain long-term control of the building. When completed, this renovation and conversion will have injected $32 million into this historic project and the District's economy. In addition, ongoing rent payments will be paid to GSA and the hotel will pay tax revenues to the District.

One of our most impressive examples of the use of innovative development tools is NCR's ongoing redevelopment of the Southeast Federal Center (SEFC). This 55-acre site was once part of the historic Washington Navy Yard. GSA obtained the property in the mid-1960s. Over the years, several attempts to develop it as a traditional Federal office enclave were unsuccessful.

Several factors have influenced the project's current progress. First, the Navy has transferred the NAVSEA command from Northern Virginia to the Washington Navy Yard, thereby doubling employment to 11,000 workers. The Navy's growth has generated initial demand for private sector office space for their contractors.

In addition, the Department of Housing and Urban Development and the District announced the award of a Hope VI grant for the area north of M Street, which borders the site.

The most important milestone for the redevelopment of the SEFC was the passage of the *Southeast Federal Center Public-Private Development Act of 2000*. Congresswoman Eleanor Holmes Norton's leadership was instrumental in this legislation, which gives GSA exceptional flexibility in developing SEFC. For instance, NCR can work jointly with a developer, lease the site, or sell it outright, using a streamlined approach. Currently, NCR is completing the Request for Qualifications and developing the Request for Proposals. This project is so important to the future of the Southeast section of Washington, DC, and NCR has worked closely with the District to ensure that the resulting development will provide far-reaching benefits to all parties. NCR's selection process will maximize the amount of information we provide to the market about our requirements so that we receive the highest quality responses from interested developers. We anticipate a mixed-use development of office space, retail uses and housing, making this an attractive project that will be accessible to the entire District.

GSA also manages the end of the real estate life cycle – the disposal of surplus real property. Surplus properties are made available for various public purposes, including the donation or sale to state and local governments and eligible nonprofit institutions; or, they are sold competitively to the general public. The disposal activities in Washington DC, were formerly managed by of GSA's Atlanta office. Due to the unique needs of this Region, the Administrator recently established a property disposal office in NCR. Currently, there are two disposal projects that could have an impact on the Washington, DC marketplace; the West Campus of St. Elizabeths Hospital and the sale of air rights over the railroad tracks behind Union Station.

St. Elizabeths Hospital opened for business in the late 1850s, as the first Federal facility for the insane. Its first building was designed by Thomas U. Walter, who also designed the expansion of the Capitol. During the Civil War, it served as an extended care facility for Civil War amputees, many of whom are buried in a cemetery on the site. The last patient left the West Campus in the 1960s.

Currently under the jurisdiction of the United States Department of Health and Human Services, the West Campus site comprises 186 acres, with some 50 buildings and 1.2 million square feet of space. The site commands a magnificent view of the District and Northern Virginia and is a National Historic Landmark. However, many of its buildings are now in such decline that they cannot be used. Other West Campus buildings are being used by the District's Department of Mental Health, which controls the East Campus of St. Elizabeths. The District is in the process of consolidating its operations to the East Campus.

The St. Elizabeths property provides a significant opportunity for both GSA and the District of Columbia. As NCR is beginning to develop a strategy for the West Campus, the District is also beginning a planning effort for the East Campus of St. Elizabeths. As with the redevelopment of the Southeast Federal Center, it will be imperative to ensure that all interested parties share benefits from the future uses of St. Elizabeths. Therefore, as NCR looks to the future of the West Campus, there needs to be close coordination with the District on planning for the overall site

NCR is also pursuing the sale of air rights over the railroad tracks, from behind Union Station to K Street, NE. Rather than progressing through the normal disposal process, GSA was directed by Congress to sell these rights by September 30, 2002, at fair market value. NCR is currently negotiating with the District on this matter.

In closing, I would like to reiterate that we recognize our impact on the local economy and continue to make decisions that reflect sensitivity to it. We are committed to working with the District of Columbia, whenever possible, attempting to ensure that all parties receive benefits from the Federal presence here. In particular, NCR looks forward to identifying opportunities to work with the National Capital Revitalization Corporation, on behalf of the District, on certain projects of mutual interest.

Our goal to ensure that our customers succeed, by supplying them with the workspace they need to meet their mission, is only exceeded by our steadfast commitment to be good stewards of the special resources we oversee in Washington, DC. There is no greater honor than to ensure that these buildings that are symbolic to all Americans continue to be used and appreciated.

The National Capital Region of GSA is committed to working closely with our customer agencies, the marketplace that provides us with services and space, the District of Columbia and you as we face the challenges of our unique mission.

Thank you for your interest in, and support for our work in our Nation's Capital. I will be happy to answer any questions you may have.

Mrs. MORELLA. Thank you, Mr. Williams. I am now pleased to recognize Mr. Shabbir Safdar, representing the Greater Washington Board of Trade.

Mr. SAFDAR. Good morning, Chairwoman Morella, Ranking Member Norton. My name is Shabbir Safdar, chairman of the D.C. Public Affairs Committee of the Greater Washington Board of Trade. The Greater Washington Board of Trade is a regional chamber of commerce representing business members from D.C., Maryland, and Virginia. I am also the co-founder of a local Internet political campaign firm of 21 employees headquartered here in the District of Columbia.

Thank you very much for giving me this opportunity to speak with you about economic development in the District. Many things go into making a city attractive to business. Setting the policies to achieve the perfect mix is a delicate balancing act. The District must send a positive message of cooperation and partnership with businesses, it must stabilize its regulatory processes and, most importantly, it must demonstrate a consistent, predictable performance in providing services. I want to touch on each of these today. More information is found in my prepared testimony.

The first issue I'd like to address is the great hope we have for the National Capital Revitalization Corp. As with any urban core of the region, the District has unique assets and opportunities for economic development. The readapting of existing land resources is critical in an environment where real estate is scarce. We have an especially unique opportunity to enhance our competitive situation through initiatives such as Brownfields redevelopment, the development of Washington's waterfront, the redevelopment of the crown jewel of the District real estate, the old convention center site. To maximize these initiatives and deal with the scale and complexity of these projects, the city government created the National Capital Revitalization Corp. and the $25 million in initial Federal funding.

The board of trade hopes that the NCRC will be fully supported in its pursuit of those economic development projects consistent with its mission.

On the topic of incentives, there's a number of excellent incentives and initiatives either in the works or being proposed that we hope you will support. Last year Mayor Williams signed into law the new Economy Transformation Act which creates meaningful incentives to assist technology firms to grow in the District of Columbia.

As I know from your previous statements, Madam Chair, this is a topic that is high on your list of priorities for the District. The results from this legislation are not yet available, but I look forward to reporting on their success to you later this year.

These tech incentives go hand in hand with the benefits available to the District through the Federal enterprise zone legislation. Continuing the enterprise zone benefits for the District through 2009, as was originally granted to other states, is essential to our success in recruiting and retaining business.

Additionally, we have supported the expansion of enterprise zone status to the entire District as an opportunity to create fertile ground for economic growth. We hope that members of the committee will support Mrs. Norton's Omnibus District of Columbia Tax Incentive Act calling for the expansion of the enterprise zone status throughout the city or, at the very least, to rationalize the qualifications of a certain area so that current anomalies are eliminated.

Additionally, the citywide first time home buyer tax credit has proved enormously successful. Ongoing proof of that is in the statistics which show the District's population flight has finally reversed itself. Anecdotally, we have information, as was seen in yesterday's Washington Post, where companies building new housing all over the District talk about how they are receiving requests from potential buyers outside the District even before the projects begin their March marketing phase.

The board of trade supports Mrs. Norton's proposal to make permanent the $5,000 home buyer credit to further reduce the flight of resident homeowners from the District and give homeownership opportunities to current residents. Of course, incentives are designed to attract and retain businesses. When it comes to growing a business, the governing factor is regulation. Every regulation is an opportunity or a pitfall. It is an opportunity to clearly guide a business in how they will have to deal with the government and the community as they grow. Yet, if poorly written, these same regulations provide uncertainty and ambiguity, distorting the market's level playing field.

As the District negotiates the daily tension between regulatory and quality of life issues, its economic development strategy must take into account the sensitivity of market forces that are profoundly and immediately affected by the daily decisions of the District government. When regulatory processes are upended, when construction permits are rescinded, or when rules are changed in the middle of the game, the marketplace takes notice and the loss of commercial and retail opportunities is immeasurable.

Much progress has been made, but yet much remains. We urge this committee's support of the mayor's efforts to continue the regulatory reforms that began with the council's Omnibus Business Regulatory Reform Act of 1998.

Finally, the District does not exist in a void but rather operates the community of communities that profoundly affect each other's fortunes. Regional response to emergencies such as September 11th—the September 11th attack on the Pentagon requires resources, manpower, equipment and expertise. These resources are at the local government level. Such a response also requires a shared or an assumed indemnification, a commitment of an unknown level of resources and revenues by responding jurisdictions, some of which cannot now engage in that commitment without violating state or local law.

The Metropolitan Washington Council of Governments has asked Congress to support legislation entitled The Washington Metropolitan Region Public Safety Cooperation Act. This legislation would facilitate an intergovernmental response to civil emergencies or disasters on a regional, mutual assistance basis. We ask that the committee lend its support to this very important legislative proposal.

Another wisdom of emergency response was among the early conclusions of Mayor Williams post-September 11th task force on transportation. They concluded that the Federal Government must cease its practice of unilaterally closing streets and eliminating curbside parking. They must reach a reasonable balance between the security needs and the movement of traffic throughout the city consistent with the potential level of threat. We ask your support in ensuring that the decisions regarding the security around the prerimeter of Federal and congressional buildings are balanced against their relative impact on the local economy.

Finally, the availability of insurance coverage for losses due to the acts of terrorism could put the District of Columbia and, indeed, the entire region at a critical competitive disadvantage when it tries to market itself to employers from outside the region. Without affordable insurance coverage for terrorism, the tremendous recovery the District has experienced over the past 4 years will stall. Of course, the liability created by the Federal presence in the District should be addressed separate from the District budget.

Thank you very much. Your support of the District is much appreciated. I'll be happy to answer any questions.

[The prepared statement of Mr. Safdar follows:]

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM
DISTRICT OF COLUMBIA SUBCOMMITTEE

The Honorable Connie A. Morella, Chair

Testimony of Shabbir Safdar
Greater Washington Board of Trade

Hearing on Economic Development in
The District of Columbia

Friday, March 8, 2002
Room 2154 Rayburn House Office Building
Time 10:00 AM

Good morning, Chairman Morella, Delegate Norton and members of the Committee. I am Shabbir Safdar, Chairman of the DC Public Affairs Committee of the Greater Washington Board of Trade. I am also a principal of mindshare Internet Campaigns, headquartered in the District of Columbia. The Greater Washington Board of Trade is a regional chamber of commerce representing business members from DC, Maryland and Virginia.

Thank you for giving me this opportunity to speak with you about economic development in the District of Columbia.

Many things go into making a city attractive to business, and setting the policies to achieve the perfect mix is a delicate balancing act: the District must send a positive message of cooperation and partnership with businesses, stabilize its regulatory processes, and most importantly, demonstrate a consistent, predictable performance in providing services.

Elements that can ensure economic development and its consequential benefits include:

- a qualified and talented workforce
- reliable basic services
- mobility
- safe and clean downtown and neighborhoods
- good schools
- decent and affordable housing
- a lively and attractive cultural life
- the development and implementation of a strong economic development program

NCRC

As the urban core of the region, the District has unique assets and opportunities to avail itself of new economic development strategies. Clearly, how DC readapts its existing and limited land resources is critical. It has an especially unique opportunity to enhance its competitive situation through initiatives such as Brownfields redevelopment, development of Washington's waterfront, and redevelopment of the crown jewel in District real estate: the old convention center site. To maximize such benefits, a coordinated strategy and coordinating entity seems to us to be a critical part of the District's policy. To deal with projects of scale and complexity, the city government created the National Capitol Revitalization Corporation and $25 million in initial federal funding was made available to it to begin this work.. The Board of Trade hopes that NCRC will be fully supported in its pursuit of those economic development projects consistent with its mission.

Economic Development Incentives

The Board of Trade hopes that this Committee will be supportive of the District's incentives for new and expanding enterprises. Last year, Mayor Williams signed into law smart legislation creating meaningful incentives to assist technology firms to grow in the District of Columbia. The New Economy Transformation Act provides incentives that go hand in hand with the benefits available to the District through Enterprise Zone legislation. We believe the extension of Enterprise Zone benefits for the District of Columbia to at least 2009, as was originally granted to other states, is essential. We have long supported the *expansion* of Enterprise Zone status to the entire District as an opportunity to create fertile ground for economic growth. We hope that members of the Committee will ***support*** Mrs. Norton's Omnibus District of Columbia Tax Incentive Act calling for the expansion of the Enterprise Zone status throughout the city or, at the very least, rationalize the "qualification" of a certain area so that current anomalies are eliminated. As Mrs. Norton has pointed out, the Homebuyer Tax Credit is citywide as has proved enormously successful.

While we are on the general subject, the Board of Trade supports Mrs. Norton's proposal to make permanent the $5,000 Homebuyer Credit to continue to reverse the flight of resident homeowners from the District, and to give home ownership opportunities to current residents. This narrowly targeted credit has shown itself to be extremely effective as an economic stimulus.

Economic Development After September 11

The District does not exist in a void, but rather operates in a community of communities that profoundly affect each other's fortunes. In the global economy, the new economic "city-state" is the *region*; rivers, state lines and city boundaries are irrelevant to that market. The District's economic future will be defined by how well it can partner and cooperate with the region in this global competition.

The District is poised to profit from its regional opportunities, but it requires a sustained effort to market itself beyond its boundaries and to preserve the confidence and optimism that could be felt in D.C. before September 11th. It is clear to us that the District has already taken on a greater role in the region's success in attracting business, but the District *and* the region will have to continue to convince companies from elsewhere that locating in the Washington region is a prudent move.

Regional response to emergencies such as the September 11 attack on the Pentagon requires resources – manpower, equipment and expertise, -- that resides at the local government level. Such a response also requires a shared- *or assumed* indemnification – a commitment of an unknown level of revenues by responding jurisdictions, some of which cannot now engage in that commitment without violating state or local law. The Metropolitan Washington Council of Governments has asked Congress to support legislation entitled the "Washington Metropolitan Region Public Safety Cooperation Act." This legislation would facilitate an intergovernmental response to civil emergencies or disasters on a regional mutual-assistance basis. We ask that the Committee lend its support to this very important legislative proposal.

Similarly, the availability for insurance coverage for losses due to acts of terrorism could put the District of Columbia and, indeed, the region at a critical competitive disadvantage in marketing itself to employers from outside the region and could stall the tremendous recovery the District has experienced over the past four years. Of course, we believe that liability created by the Federal presence in the District should be addressed apart from the city's budget

•

The Potomac Conference last November 29 gave the region's elected and business leaders an opportunity to learn about and to coordinate emergency preparedness plans that each city, county or state had begun to put into effect, and to begin to build a communications network that will disseminate to the community at-large important information about those preparedness plans. In subsequent meetings of the Potomac Conference, fast-track mobility solutions were proposed and are now being implemented by the Board of Trade's Transportation and Environment Committee.

•

Among the early conclusions of Mayor Williams' Task Force on Transportation created in the wake of the Sept. 11 terrorist attacks, was that the federal government must cease its practice of unilaterally closing streets and eliminating curbside parking, and that they reach a reasonable balance between security needs and the movement of traffic through the city, *consistent* with the potential level of threat. We ask your support in ensuring that the decisions regarding the security around the perimeter of federal and congressional buildings will be balanced against their relative impact on the local economy.

Regulatory Reform

Finally, as the District negotiates the daily tension between regulatory and quality-of-life issues, its economic development strategy must take into account the sensitivity of market forces that are profoundly and immediately affected by the daily decisions made by the District government. When regulatory processes are upended, or when rules are changed in the middle of the game, the marketplace takes notice, and the loss of commercial and retail opportunities is immeasurable. Much progress has been made, but much remains to be done. We urge this Committee's support of the Mayor's efforts to continue the regulatory reforms begun with the Council's Omnibus Business Regulatory Reform Act of 1998.

Thank you for this opportunity to speak with you. I will be happy to answer any questions you might have.

Mrs. MORELLA. Thank you, Mr. Safdar. Now I am pleased to recognize our final panelist, Nelson Bregon, Deputy Assistant Secretary of the Grant Programs of the Office of Community Planning and Development of HUD. Thank you, sir.

Mr. BREGON. Good morning, Chairwoman Morella and Ranking Member Norton. My name is Nelson Raphael Bregon, and I am the Deputy Assistant Secretary for Grant Programs, the Office of Community Planning and Development with the U.S. Department of Housing and Urban Development. Thank you for the opportunity to be here this morning as part of the subcommittee's examination of the District of Columbia's community and economic development activities. I am here at your request to discuss one of HUD's most important tools in community and economic development, the Community Development Block Grant Program, and our review of the city's use of the CDBG funds to assist community development corporations in the District.

Secretary Martinez, Assistant Secretary Bernardi and I are as concerned as you are regarding the District of Columbia's CDCs, HUD's recent monitoring findings and the reports published by the Washington Post. For this reason, my colleagues and I would like to provide you with the information that we have on this matter.

Before I begin, I would like to introduce Mr. Richard Kennedy, the Director of the Office of Block Grant Assistance in our headquarters office. Mr. Kennedy reports to me and is responsible for assisting me in developing policies and procedures related to the CDBG program.

Also with me is Mr. Ron Herbert, who is the director of the Office of Community Planning and Development in our HUD District of Columbia field office. Mr. Herbert is responsible for assisting and working directly with our program grantees such as the District of Columbia in undertaking the activities that are funded with community development block grant funds. The community development block grant program is a $4.4 billion program that assists communities in undertaking community and economic development.

One of the things that we pride ourselves on about the CDBG program is the flexibility that this program brings to the communities to undertake those activities that they deem necessary and appropriate to assist neighborhoods which are primarily resided in by low and moderate income residents of the community.

The activities that are undertaken under the CDBG program must not only be eligible under the regulations that regulate the program but also must meet one of the three national objectives of the statute, those are benefit to low or moderate income residents, aiding prevention or elimination of slum or blight, or to meet an urgent community need that the community is unable to finance on its own.

The responsibility for ensuring that the local community development block grant programs meet Federal requirements rests with the executive authority of each CDBG grantee. In the case of the District of Columbia, it would be the mayor who is responsible for ensuring that the local CDBG program meets these Federal requirements.

As in the case of the District of Columbia, many executive authorities delegate CDBG program administration to local community development corporations. In addition, these local community development corporations have the prerogative to provide assistance to non-profit organizations to undertake CDBG-funded activities.

In fact, it has been determined that about 17 percent of all CDBG funds are passed through nonprofit organizations. Thus, nonprofit organizations are a very important conduit for neighborhood program delivery. It is important to note that nonprofit organizations such as CDCs are often asked to undertake projects that are inherently risky because of factors such as locations, high crime, poverty and disinvestment. Cities like to utilize CDCs because they have skills and neighborhood acceptance in many instances.

It is important to note, however, that the responsibility for ensuring that CDBG funds are used to revitalize low and moderate income neighborhoods belong to the CDBG grantee, and that is applicable to the District of Columbia as well. The District of Columbia provides approximately $4 million a year in CDBG funds to assist the District Neighborhood Development Assistance Program. It is our understanding that the goal of the Neighborhood Development Assistance Program in the District of Columbia is to assist CDCs by providing funds for financial support and capacity building as part of a CDC's efforts to implement community development activities and, as a result, revitalize low and moderate income neighborhoods in the city, such as Anacostia and Columbia Heights just to mention a few.

The District grant agreements with the CDCs, which is a requirement of the Federal regulations, indicate that CDCs will undertake administrative and technical activities to pursue, for example, joint ventures with developers, secure project financing, and apply for grants or loans from other sources.

After reviewing the District's annual performance report, which is a requirement of the CDBG program, and based on HUD's risk management approach to monitoring, the HUD D.C. Office conducted a monitoring review of the city's Neighborhood Development Assistance Program in August 2001. During the monitoring HUD reviewed several project files for CDCs and conducted site visits to several CDCs. The HUD D.C. Office staff found that the city provided funds to CDCs to carry out eligible activities.

However, the District grant agreements with CDCs and program files were found to lack sufficient budget details to link this allocation of the CDC grants award to specific projects and activities cited in the grant agreements. In addition, it did not appear that the city conducted any cost analysis for the items purchased with CDBG funds. Moreover, CDC grant agreements failed to specify measurable outcomes for each project or activity to be assisted by the CDCs.

The HUD District of Columbia field office found that CDC grant awards were reviewed for a second year without competition or evaluation of performance in the prior year. The HUD field office was particularly concerned about the inefficient and ineffective use of Federal resources and the possibility of questionable costs.

Tracking CDBG activities were further complicated by the fact that this organization often leveraged other financial resources from private, public, city, and other Federal sources, making it difficult to isolate activities that were funded with CDBG funds.

Finally, HUD's monitoring review concluded that the current design of the NDAP program lacked detailed policies and internal management controls for governing the use of CDBG funds. As part of the monitoring findings, HUD advised the city to discontinue funding under the existing Neighborhood Development Assistance Program and especially for all core funding awards to CDCs for projects that were not directly related to carrying out eligible CDBG activities.

HUD also advised the District to revise the Neighborhood Development Assistance Program application funding process to include a review and analysis of all proposed costs to ensure that each project was eligible, met a national objective, and that the costs were reasonable and appropriate.

In response to HUD's monitoring letter, the District of Columbia indicated that effective with the city's 2002 fiscal year, the city would discontinue disbursement to CDCs for core funding using CDBG funds and that the District would use CDBG funds to pay for costs that are directly related to project delivery cost. These monitoring findings and advisories are in addition to the ongoing technical assistance and guidance that the D.C. Office provides to the District of Columbia.

In June 2000, HUD advised the city to incorporate outcomes measures and performance indicators to ensure that CDCs carrying out community development activities produce tangible results that impact low and moderate income neighborhoods. In July 2001 HUD again advised the city to review the Neighborhood Development Assistance Program procedures to ensure that CDBG assistance to CDCs were for eligible activities and that the program incorporated performance measures and tangible outcomes.

HUD is perturbed by the District's use of CDBG funds to assist CDCs that cannot clearly and directly be linked to activities that achieve tangible neighborhood development in the low and moderate income communities. HUD continues to advise the District to either discontinue funding Community Development Corp. or provide these organizations with funding that must be used for a specific community and development activities.

HUD is currently awaiting further information from the District of Columbia to demonstrate that review guidelines and procedures are in place that will correct the program deficiencies that have been identified, not only by the city's IG office but also by HUD's Office of Community Planning and Development. If the city's response is not satisfactory, HUD will be forced to take further actions, including possible grant reductions.

The CDBG program statute and regulations require that grantees identify eligible activities that will provide benefits to communities, especially low and moderate income communities. It is important to note, however, that the flexibility of the CDBG program allows grantees to implement community development activities based on local decisions. Communities may choose to provide assistance to nonprofit organizations for neighborhood development initiatives as they deem necessary.

Although the CDCs can be viable partners in undertaking community and economic development activities, the success of any community development initiative must include accountability, and the District of Columbia is responsible for ensuring that CDBG funds are used to create tangible results in its neighborhoods.

Thank you very much, and we are willing and able to answer any questions that you may have.

[The prepared statement of Mr. Bregon follows:]

STATEMENT OF NELSON BREGÓN

DEPUTY ASSISTANT SECRETARY FOR GRANTS PROGRAMS

Office of Community Planning and Development

U.S. Department of Housing and Urban Development

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA

COMMITTEE ON GOVERNMENT REFORM

March 8, 2002

Good morning Chairwoman Morella and Members of the Subcommittee:

My name is Nelson Raphaël Bregón and I am the Deputy Assistant Secretary for Grant Programs in the Office of Community Planning and Development. Thank you for the opportunity to be here this morning as part of the Subcommittee's examination of the District of Columbia's community and economic development activities.

I am here, at your request, to discuss one of HUD's most important tools for community and economic development -- the Community Development Block Grant (CDBG) program-- and our review of the city's use of CDBG funds to assist community development corporations (CDCs). Secretary Martínez and Assistant Secretary Bernardi are as concerned as you are regarding the District of Columbia's CDCs, HUD's recent monitoring findings and the reports published by the Washington Post. For this reason, my colleagues and I would like to provide you the information that we have on this matter.

Before I begin, I would like to introduce Mr. Richard J. Kennedy, Director of the Office of Block Grant Assistance at HUD Headquarters.

Mr. Kennedy reports to me and is responsible for developing policies and procedures related to the CDBG program.

And also with me is Mr. Ronald Herbert, Director of the Office of Community Planning and Development in our HUD District of Columbia Field Office. Mr. Herbert is responsible for assisting and working directly with our program grantees, such as the District of Columbia.

The Community Development Block Grant (CDBG) program is a $4.4 billion program that provides annual grants on a formula basis to states, as well as entitlement metropolitan cities and urban counties. Each entitlement community, such as the District of Columbia, may use CDBG funds for a variety of community, housing and economic development activities focused on neighborhood revitalization, economic development and the provision of improved community facilities and services for low- and moderate-income residents. CDBG activities are initiated at the local level based on a community's identified local needs, priorities, and benefits to the community. Each entitlement community receiving a grant is free to determine what activities it will fund as long as certain requirements are met, including that the activity is eligible and meets one of the following three national objectives: 1) benefits low- and moderate-income persons; 2) aids in the prevention or elimination of slums or blight; or 3) meets urgent community needs that the community is unable to finance on its own.

The responsibility for ensuring that local CDBG programs meet Federal requirements rests with the executive authority (e.g., Mayor, County Commissioner) of each CDBG grantee. As in the case of the District of Columbia, many executive authorities delegate CDBG program administration responsibilities to local community development departments. In addition, those local community development departments may provide assistance to nonprofit organizations to carry out CDBG-funded activities. In fact, 17 percent of all CDBG funds are passed through nonprofit organizations.[1] Thus, nonprofit organizations are an important conduit for neighborhood-based program delivery. It is important to note that nonprofit organizations, such as community development corporations (CDCs), are often asked to undertake projects that are inherently risky because of factors such as location, crime, poverty and disinvestment; cities utilize CDCs because they have skills and

[1] Urban Institute Study, 1995.

neighborhood acceptance. It is important to note, however, that the responsibility for ensuring that CDBG funds are used to revitalize low- and moderate-income neighborhoods belongs to the CDBG grantee, including the District of Columbia.

The District of Columbia provides approximately $4 million of CDBG funds to CDCs as part of the District's Neighborhood Development Assistance Program (NDAP). The goal of the Neighborhood Development Assistance Program is to assist CDCs by providing funds for financial support and capacity building as part of the CDCs' efforts to implement community development activities and, as a result, revitalize low- and moderate-income neighborhoods, such as Anacostia and Columbia Heights. The District's grant agreements with CDCs indicate that CDCs will undertake administrative and technical activities to pursue, for example, joint ventures with developers, secure project financing, and apply for grants or loans from other sources.

After reviewing the District's annual performance reports, and based on HUD's risk management approach to monitoring, the HUD District of Columbia Office conducted a monitoring review of the city's Neighborhood Development Assistance Program in August 2001.

During that monitoring, HUD reviewed several project files for CDCs and conducted site-visits to several CDCs. The HUD District of Columbia staff found that the city provided funds to CDCs to carry out CDBG-eligible activities. However, the District's grant agreements with CDCs and program files lacked sufficient budget details to link the sub-allocation of the CDC grant award to specific projects and activities cited in CDC grant agreement. In addition, it did not appear that the city conducted any cost analyses for the items purchased with CDBG funds. Moreover, CDC grant agreements failed to specify measurable outcomes for each project or activity to be assisted. Finally, the HUD District of Columbia Office found that CDC grant awards were renewed for a second year without competition or an evaluation of performance in the prior year. The HUD Field Office was particularly concerned about the inefficient and ineffective use of Federal resources, and the possibility of questionable costs. Tracking CDBG activities was further complicated by the fact that these organizations often leverage resources and may be receiving funds from private, public, city and Federal sources, making it difficult to isolate which activities were funded with Federal dollars.

HUD's monitoring review also concluded that the current design of the NDAP program lacked detailed policies and internal management controls for governing the use of CDBG funds. As part of the monitoring finding, HUD advised the city to discontinue funding under the existing Neighborhood Development Assistance Program and especially all "core funding" awards to CDCs for projects that were not directly related to carrying out eligible CDBG activities. HUD also advised the District to revise the NDAP application funding process to include a review and analysis of all proposed costs to ensure that each project was eligible, met a national objective, and that the costs were reasonable and appropriate. Finally, the Department advised the city to provide a copy of the city's FY 2002 Neighborhood Development Assistance Program's Request for Applications (RFA) as well as internal procedures and guidelines for pre- and post-award reviews and monitoring.

In response to HUD's monitoring letter, the District indicated that, effective with the city's 2002 fiscal year, the city would discontinue disbursements to CDCs for "core funding" using CDBG funds and that the District would use CDBG funds to pay for costs that are directly related to project delivery.

These monitoring findings and advisories are in addition to the on-going technical assistance and guidance the District receives from the HUD District of Columbia Field Office to assist the District with implementing CDBG activities, including the Neighborhood Development Assistance Program. In June 2000, HUD advised the city to incorporate outcome measures and performance indicators to ensure that CDCs carrying out community development activities produce tangible results that impact low- and moderate-income neighborhoods. In January 2001, HUD again advised the city to review the Neighborhood Development Assistance Program procedures to ensure that CDBG assistance to CDCs were for eligible activities and that the program incorporated performance measures and tangible outcomes.

HUD is concerned that the District's use of CDBG funds to assist CDCs cannot be linked to activities that achieve tangible neighborhood development in its communities. HUD continues to advise the District to either discontinue funding community development corporations or provide these organizations with funding that must be used for specific community and economic development activities. HUD is currently awaiting further information from the District of Columbia to demonstrate that review guidelines and procedures are in place that will correct program deficiencies. If the city's response is not satisfactory, HUD will be forced to take further sanctions, including possible grant reductions.

The CDBG program statute and regulations require that grantees identify eligible activities that will provide benefits to communities, especially low- and moderate-income communities. It is important to note, however, that the flexibility of the CDBG program allows grantees to implement community development activities based on *local* decisions. Communities may choose to provide assistance to nonprofit organizations for neighborhood development initiatives, as they deem necessary. But, the success of any community development initiative must include accountability, and the District of Columbia is responsible for ensuring that CDBG funds are used to create tangible results in its neighborhoods.

Thank you very much and this statement concludes my opening remarks.

Mrs. MORELLA. I know we will have some questions for you, Mr. Bregon. The ranking member and I have decided since there are two of us here, we will allocate 10 minutes apiece for questioning back and forth. So I will start off then with NCRC since that was originally the intent of this hearing, was to look at the role of the National Capital Revitalization Corp.

I would ask you, Mr. Heller and Ms. Bacon, how has NCRC used the $25 million that the Federal Government contributed as the startup of NCRC? I would further ask have the funds been used to acquire property or have they been used to leverage other funds? And then what other funds are available to NCRC?

Although you have received a commitment that was mentioned in the testimony of $75 million from Fannie Mae, what is the time line, when are you slated to receive the actual funds, and do you have an intended use for the funds? What other moneys come into NCRC?

Mr. HELLER. Our objective is to use the funds sparingly and with the greatest degree of leverage possible. We have I think tried to achieve that. Ms. Bacon will give the details. Both of us will be available for questions.

Ms. BACON. Yes. I would like to elaborate——

Mrs. MORELLA. That was a very good political answer.

Mr. HELLER. Yes, thank you.

Ms. BACON. First of all, this is our first year of operation, as you know, and we have had to use some of the funds for our startup costs for staff, etc., while we get our program going. We also this year, as I mentioned, acquired the leasehold interest of the Gangplank Marina in the Southwest Washington area. We did use part of our Federal funds for that acquisition and half of the funds were provided by the District.

However, in addition to having this important aspect of being, as I mentioned, at the table with regard to the redevelopment, it also was a significantly important financial investment for us, and our return on the money that we did invest is substantial. We are—we have not yet called upon the Fannie Mae funds because we don't have projects.

As you know, when you're doing real estate development, it takes a long lead time to get into projects. The whole due diligence and then predevelopment phase is quite extensive. We have been in very close touch with Fannie Mae, however, and they have been prepared to allow us to move ahead using their funds, but this is for debt or equity. It is obviously not a grant. It's very different from the funds appropriated by Congress, and so we will be able to use it for debt and equity in projects which do include a housing component.

We certainly do intend to leverage the funds that you so generously have appropriated to us and we are just now launching into a strategic planning process headed by Mr. Heller where we are focusing on how are we going to make ourselves self-sufficient.

We receive no operating funds from other sources, as you know, and so we must figure out how to both cover our operating expenses and obviously make money in addition. We do receive funds from the disposition of the RLA properties. Mr. Heller mentioned that we do have a portfolio of approximately $500 million, of which approximately $300 million is actual land assets, and so we will be receiving funds in the disposition of those properties.

However, I just want to add that the property—the funds that we do receive are subject to the requirements of the CDBG rules and regulations; so all use of those funds must be consistent with the CDBG rules and regulations.

Mrs. MORELLA. Do you have a competitive process?

Mr. HELLER. I would like first to just amplify Ms. Bacon's comments. We are expending funds somewhat in excess of $2 million a year operating costs to build the staff, for both the business development and real estate programs. We regard $25 million as a splendid start, but obviously given the magnitude of the task that we're addressing, it doesn't go very far meeting operating costs.

So at some point we have to through our operations ensure a sustaining flow of capital so we can both use our funds for investment but also to meet operations. We have thus far had a competitive process operational with respect to the RLA portfolio. With respect to the NCRC funds, we do have a process under which people can submit suggestions to us, but frankly, given the development activities that we're initiating, much of it is left to us. For example, both the Southwest waterfront and the Skyland, two of the most important projects we are pursuing, are carrying those forward at NCRC's initiative because of the long-term developmental benefits for the city as well—obviously the potential return as well.

Mrs. MORELLA. So it's a decision that you all make in terms of whether it will be a competitive bid.

Mr. HELLER. In the RLA certainly we envision that all proposals will be submitted to us on a competitive basis, although there may be some circumstances otherwise considering the speed and leverage with which we hope to operate. With respect to the broader developmental aspects, this is, as I think the committee recognizes, not an easy process. If economic development had been easily carried forward, it would have been—there would have been a lot of projects presented particularly the east of the river in the past and they haven't been. Thus we see our role is to try to initiate projects that we think make sense. Certainly if projects are presented to us, we will be evaluating those competitively.

Mrs. MORELLA. Do you have accountability built in? You can complete that answer Ms. Bacon.

Ms. BACON. Yes. Thank you. I could perhaps use Skyland, the Skyland shopping center redevelopment as an example of the NCRC side of our business. This is a shopping center which is east of the river which does not reflect the middle income and upper middle income demographics of the area. It is a shopping center which is deteriorated at this point and the Skyland Shopping Center Task Force and the Hillside—Hillcrest community has been pushing for many, many years to get this redeveloped.

We are working very closely with Eric Price's office on this. We have—we're going to be assembling the land and we have put out a request for expressions of interest by developers. So we do need to find a developer that would be compatible with us in terms of moving it ahead, but certainly price and experience, expertise, and what the developer would bring to the table will all be—will be brought to bear. So in fact it would be a competitive process.

I also do want to mention too the board is absolutely fundamentally committed to transparency and full public process in everything we do. All of our board members are committed to this, all of our board meetings are in the public in the communities, and we discuss the projects as we proceed.

Mrs. MORELLA. I'm glad you mentioned that point because we have heard from some people, that there have been some concerns about the operation, whether it is in public forum, whether people are invited or allowed to attend and whether the records are open to the press and to interested citizens. Could you amplify that?

Ms. BACON. Yes. There clearly are informal discussions that are had, but our public board meetings are all open to the public, to the press. We have had issues about our Web site which we are now fixing, and perhaps we haven't had a Web site which is user friendly sufficiently to make sure everybody knows what we do. We also are required to have notices into the paper about when the meetings will be held. Minutes are available. Where we do have confidential negotiations with developers, those matters are of course kept private until we are able to release that information.

Mrs. MORELLA. Do you follow the open rule?

Ms. BACON. Yes.

Mrs. MORELLA. And you say your hearings, the minutes and all, are available for perusal by citizens and the press?

Mr. HELLER. Yes. I can certainly amplify Ms. Bacon's comment, the board is committed to the openness to which she's referred, a transparent process. I would only note one possible source of concern we have not thus far released publicly the exclusive rights agreement that we executed in mid-February with respect to the development of the Wax Museum site. That, as I mentioned earlier in my testimony, included references to sharing relationships under which we and the developers will participate depending on the success of the project. We will be carrying that agreement from an exclusive rights agreement to a full development agreement, and pending the completion of those negotiations our counsel has felt it appropriate to keep that document private because of the sensitive nature of the ongoing discussions.

Mrs. MORELLA. I've asked about the criteria that you use for selecting projects. What specific performance criteria does the NCRC use to evaluate the effectiveness of your projects in promoting economic development in neighborhoods?

Ms. BACON. We have developed a draft policy and procedures manual for how we will be making selections of real estate development projects that would come to us both from the outside and how we would make decisions internally as to how to proceed. That is—the draft is completed and we are now going to be going out for public input to that.

We'll be meeting with an organization which represents local community organizations to take a look at it. We have to balance obviously our mission and our return when we look at each project. Since we are charged with being self-sufficient we need to be sure that for the most part our projects are in fact giving us a return.

We also are not going to be duplicating the work of the CDCs or the smaller community-based organizations. Our projects are supposed to be very large and spur neighborhood redevelopment rather than, for instance, facade treatments of commercial corridors, things like that. Our projects are supposed to be large and spur development throughout the neighborhood.

Mrs. MORELLA. I want to ask the Board of Trade, what do you think should be part of that performance evaluation?

Mr. SAFDAR. Well, of course the board is interested in all revitalization of the District and every opportunity we believe should be handled as efficiently as possible for the greatest gain. Accountability is crucial both as business people, we have to experience accountability or we are not in business anymore, and we hold public projects to the same standards.

Mrs. MORELLA. How about Mr. Price?

Mr. PRICE. I think NCRC already has taken a number of steps to ensure the accountability. In fact, on the Wax Museum site for the first time before the day we entered into the ERA, the board actually went through a negotiation process and that set up those milestones and was very clear to the other bidders that if the developer that was chosen could not make them, then we would choose one of the other bidders for that particular site, and I don't think that has been done in—at least not in the 3 years that I've been here. So I think that process is beginning now.

Mrs. MORELLA. I wanted to get to Mr. Bregon. It seems you have painted a picture, picking up on what the Washington Post articles have demonstrated, that there has not been a response. There have been some, it seems to me, evaluations with regard to CDCs but no remediation, kind of ignored. And you have indicated some actions that HUD will be taking in that area. Have you stopped funding the CDCs at this point and when did you—I know you became aware of this earlier, but was it motivated by the press accounts to really clamp down at this point or say stop, we have got to take a better look at it?

Mr. BREGON. Well, Chairwoman, we don't have the authority to stop funding CDCs. We can advise the city when we see a problem with one of their programs and we can advise them whether to revise the program to comply with the applicable rules and regulations or we can advise them to stop funding those subgrantees, if you will, if for some reason they cannot bring the program into compliance, and that's what we have been telling the city up to now, that there are some major flaws in design of the program that must be corrected and in the meantime, while this is being done, we recommended that they cease funding the CDCs, and the city agreed with that recommendation and they have indicated to us that they have corrected the problems that the city's IG identified, that—the problems and concerns that HUD outlined as a result of their monitoring visits, and that they have refunded again those CDCs but that those financial checks and balances, if you will, are in place.

They have indicated to us. We requested a copy of the new policies and procedures. We have also requested a copy of the new application process by which the neighborhood CDCs get funded, and we are waiting for that information so we can review it and then provide the city with feedback as to whether the revised program does comply now with the program rules and regulations.

Mrs. MORELLA. My time has expired but when I get my turn back, I will also ask the Deputy Mayor. Thank you. Congresswoman Norton.

Ms. NORTON. Thank you very much, Mrs. Morella. Before I get into the testimony, all of which I found to be very helpful and illuminating, I'd like to raise the question of jobs. Having worked continually on economic development since coming to Congress, I became very concerned about the time we got through the Convention Center project that essentially what we were doing was funding jobs for the region, that there was very little being done in this city to make sure that the economic development that occurred in this city had a benefit for those who live in the city and if that's the way the city wants to build, that was one thing. I didn't think that was the way how to be bringing Federal projects into the city. At the time of the Convention Center, I called in the builders, as it turns out that was a union built matter, called them in, called in the Convention Authority and everyone agreed to use a certified apprenticeship program.

A certified apprenticeship program is the following: It means that there are a few extra points given in competition in exchange for an agreement on the part of the developer to train some people on the job in the crafts. The reason that this is essential is if you do what the District has done for years, which is allow developers to set up their own apprenticeship program, a terrible thing happens to young men, and most of them are young men in this city, they then go to the next job and say I was on the XYZ program and of course then they say, OK, what did you do as an apprentice? They have nothing to show about the progress we made.

It's as if saying to you and me go and study and then go try to get a job. I don't think you should be building anything in the city—I don't know what you're building them for if you cannot show you are providing jobs for the people who live here.

I want to thank the GSA because the GSA has agreed to use certified apprenticeship programs on all of my stuff that I bring into the city. I would hope the city for its own stuff would be the first to want to require that and monitor that. There have been some terrible things that came out about people getting industrial bonds and paying no attention to the rules and regulations of the District with respect to hiring—not hiring, simply putting people in an apprenticeship program so they can learn the crafts.

So first I want to ask whether or not Mr. Heller and Ms. Bacon are willing to give us a commitment that they will build nothing and support nothing in the District of Columbia which does not have a certified apprenticeship program. I did not say apprenticeship program. Those are frauds on the young people who get them because they cannot use them to build on. I'm asking you if you will commit here today to use certified apprenticeship programs on all of the support you are engaged in in the city.

Ms. BACON. You make an excellent point about jobs that are created that are not sustainable that they'll become a career path for jobs which are here today and gone tomorrow, and that's absolutely not what we want to do. We're absolutely committed that jobs that are created through projects that we do will be career path jobs to the extent possible.

I don't—I would like to learn more about the certification process before we absolutely commit to you, but we will definitely take that under advisement and look at it immediately.

Mr. HELLER. Just to amplify the chairperson's questions about standards, we have developed and, as Ms. Bacon said, it will be going out, a two-part standard for evaluation of projects. First, one that sets forth a series of objectives on economic development bases, including job creation. We have already recognized that as a critical component of what we're doing. And the second relates to return parameters, depending on the type of project being pursued in order to achieve self-sufficiency.

The certification program seems like a very powerful program, and I—while we know obviously not as much about it as the ranking member, it seems like something perhaps we should now insist on, but that is something we will seriously evaluate and get back to you promptly.

Ms. NORTON. I very much appreciate it. I'd like you to arrange for a meeting with me. The Convention Center used to certify an apprenticeship program. These are people who have been trained to be electricians, to do sheet metal work, to do the high paying jobs that you don't have to have a Ph.D. or any of the kind of degrees you all have and they are bringing the Convention Center in ahead of schedule. This can be done and we'll talk about how to do it. There's a document setting forth how to do it.

Now, as I understand it, Mr. Price, there is no requirement to use certified apprenticeship program. When you are given industrial bonds, no one says here's a certified apprenticeship program, go do it. There have been picket lines by the Washington Interfaith Network and others complaining to the District, to which the District I am told says, well, these folks we don't control, they're not city projects, so that there's been a lot of head butting without the District taking responsibility for its own guidelines.

Mr. PRICE. Actually that's not true. We do have a requirement on every industrial revenue bond program that they use a certified apprenticeship program. The problem with the legislation as it's now enacted is that there's no teeth if they don't follow through. So in other words, Miller and Long and GW didn't want to do it. The only teeth we have is we can deny them any future project that they might want to use to get——

Ms. NORTON. I don't agree and I'm not sure that your guidelines say you have to use a certified apprenticeship program. I——

Mr. PRICE. Our first source agreement—our first source agreement does say that.

Ms. NORTON. I don't agree that there's no way to get it, and I'd like you to set up an appointment to come see me so that we can talk about ways to——

Mr. PRICE. That's fine.

Ms. NORTON. I know that's what you want to do——

Mr. PRICE. Let's do that.

Ms. NORTON [continuing]. But there ought to be a way to proceed without waiting for picket lines to develop.

Now, Mr. Bregon, I appreciate your testimony, very much appreciate it, because it was straightforward, it laid out what it seems to me was a road map for what the District could do to straighten out the CDC problem, and I know that the District heard Mr. Bregon, if the city's response is not satisfactory, HUD will be forced to take further sanctions, including possible grant reductions.

I spent a good deal of time in the Congress fending off Members of Congress and saying let the District do it, especially now that the District is doing it and defending home rule. But I have to tell you I think that in the handling of the CDCs, you have both invited interference with home rule and threatened your own Federal funds, both of which get the Congress deep into your business. It's very hard—and I will not defend the District against Federal involvement.

When the District gets the kind of warnings that Mr. Bregon apparently has been giving it and then expects me to say everybody in Congress step back, let them do it because don't you see they're doing it. So let me just say how disappointed I am as the chief defender of home rule up here spending a lot of time, a lot of energy that I don't intend to be put in the position where then the city is shown not to be doing it.

Look at what we're talking about in the CDCs. These were not enterprises set up by this administration, but this administration is 4 years old now. There is supposed to be—I mean, I'm reminded of St. Elizabeth's Hospital, where the administration was there and the Control Board was there and all of a sudden it comes out that these folks have been overspending. This is nowhere near at that level of problem, but it's very disappointing to me as a defender of the city.

I never defend the indefensible, and I think what's happened with the CDC is indefensible and I still have heard no explanation for why you have what looks like a good news/bad news story. You've got the NCRC. Of course it's in startup, but it looks like it's professionalized—because we had a lot to do with that, because this thing was set up from up here. The whole idea was initiated from up here and from the last administration.

On the other hand, the CDCs go back a long time. While this administration can't be held responsible for setting them up, what I can't understand is the Mayor has to put the money in his budget every year because there is D.C. money involved. The Council, which has been much better at oversight than any oversight I've seen since I've been in the country, has to have hearings and yet I was just embarrassed as a Washingtonian to hear that there's anybody running around, you know, in some leased luxury cars or self-dealing, especially when I'm the one that says to the Congress, hey, they have oversight, they're doing oversight. I'm very disappointed and I still haven't understood, especially given Mr. Bregon's testimony, how I am to defend the District of Columbia against interference by the Congress.

I still do not understand that given the testimony we have had here today, and so I want to ask—I want to first ask Mr. Price, Deputy Mayor Price, the Mayor said he would take back properties if they don't produce. That's pretty vague. They haven't produced. There are a lot of mad people, just to say angry people in the communities. It's all in the newspapers about these boarded up houses. What does it mean take back properties? When? What's the time-table? Mr. Bregon has testified that the 2002 budget, as I understand it will fund only the core costs, not all these personnel costs.

Mr. PRICE. Directly related to the project, costs directly related to the project.

Ms. NORTON. What are you going to be funding? Two questions. What will you be funding—because, look, most of this money comes from HUD. What will you be funding that you weren't funding last year? That's the first thing I want to know. And then what does it mean we're going to take back these properties? What can I say to the subcommittee who's made an inquiry you are not to hold a hearing, please? The District of Columbia already has control of this. Mrs. Morella was quick to call a hearing. What can I say about precisely what the administration is going to do about funding in the budget that the Mayor will be putting before the Council now, and what can I say to them about the properties that have been lying out there all this time without being implemented for development?

Mr. PRICE. There are a couple things. First, let me say that the article covers 10 years in the District of Columbia and I can really only speak to the last 3½ years and our direct involvement in it. There are a number of things that have been done since this Mayor came in, and I think you stated it earlier in your opening comments, Congresswoman Norton. The District actually has taken action without the direction of HUD and without the direction of the Washington Post. There are things that have actually occurred that we've been doing——

Ms. NORTON. So why don't you discuss that——

Mr. PRICE. That's what I thought I would do.

Ms. NORTON. OK.

Mr. PRICE. Beginning in 1999, we first looked at this problem of the CDCs and projects going forward. The actual requests to the IG to look at the CDCs came from the District government. We asked them to look at it because we had some concerns. We also at that time looked at the nonprofits and how they were doing on their ERAs at the time.

The District several years ago when they did exclusive rights agreements trying to be spur economic development in neighborhoods, did these ERAs that didn't have a lot of performance milestones or they were very easy to meet and they did them in a fashion that didn't have deadlines on them. We were appalled to find they didn't have deadlines on them because it made it difficult for us to go back and then take these properties back. They also, along the way, while the nonprofit had the ERAs, in many instances they provided additional funding for other things, you know, further investing in the project that was not going forward.

So what we did is we looked at that, we tried to find those projects that we would bring the developers in, and we did. And on many of those projects we did get them to go forward during that period of time because we indicated that we would come and try to take those properties back from them.

The other thing that we've done over the time, we actually have suspended—we suspended one CDC that was in the article for failure to perform. I think that's the first time it's probably been done in a decade. That was—that happened in 2000. We also eliminated in 2000 the homestead program. The District had a very popular homestead program where you held a lottery and the lottery was held, and individuals came in and they paid $250 and then they were given the homes to develop. We did our own internal audit and found out that this was not moving, these projects weren't moving quick enough. We stopped the program——

Ms. NORTON. Who used to do it before you all?

Mr. PRICE. It was being done by DHCD. We have now stopped that program.

Ms. NORTON. DHCD stands for Department of Housing——

Mr. PRICE. And Community Development.

Ms. NORTON. And now who did it to make it happen?

Mr. PRICE. Well, what we did is we stopped the program. We now have a new program that is run out of my office that is much more competitive. It has for profit and nonprofit developers, and we are actually taking control of the development process from the Mayor's office. The other thing that we had to focus on, and I think you can tell your Members, is when we came in the District had $80, $90, $100 million in unspent CDBG, I mean not committed, not obligated. They had only——

Ms. NORTON. Why was that? Why was that?

Mr. PRICE. The transactional capacity within the agency was part of the problem, not having a lot of producers in the District and then just overall——

Ms. NORTON. Like the CDCs.

Mr. PRICE. Like the CDCs. And the overall condition of the economy at that time too also had something to do with that.

One of our first things was how do we begin—we knew there was a need for affordable housing in these neighborhoods. How do we get these dollars out to the people who need them? In 1998, the District financed about 600 units of affordable housing. 1999, we did about 1,300. In 2000, we did about 1,600. In 2001, we financed 3,700 housing units in the District of Columbia for low and moderate income housing. So we began to get that problem under control.

We knew there was still a monitoring program—problem, had been working with HUD. We had a number of discussions with HUD. We had received letters from them, but there have been numerous meetings. In fact, we held one meeting with members of HUD and some of the members from the CDC who seemed to disagree with how the law was being interpreted and we brought HUD in themselves and said now, look, we're telling you this, we want HUD to be at this meeting as well to tell you this, and we held that meeting.

There have been changes made. The article did not talk about the changes to the NDAP program which was referred to that has more accountability. In fact as a result of those changes that we made to the NDAP program our new director, Stan Jackson, there was actually CDBG—I mean CDC opposition to him being nominated. The hearing had to be postponed because of the changes that he was bringing into that agency and he's brought in since August and he's here today to talk about the other things that he's done in terms of training, in terms of how the moneys are spent.

One problem with the NDAP program is the dollars were spent for brick and mortar projects and they are also spent for things like technical assistance, job training, predevelopment money for brick and mortar projects. The Department of Housing and Community Development has another pot of money, if you will, for development finance, and that's just brick and mortar projects.

One of the things that Stan found is that there was some confusion where CDCs might come in for a project, you know, in 1999 for predevelopment money out of the NDAP funding and then when they come back in through the development finance, there's a potential to be funding that again. We've stopped that. We separated the two. Brick and mortar financing only comes out of development finance. The technical assistance, job training comes out of the NDAP. And these were recommendations that did come from HUD but the other changes, to achieve more training, to bring in new underwriters, to look at our tax credit program, these are a number of things that we've been doing in addition to getting money out the door and financing housing for low income residents in the District.

Ms. NORTON. Thank you, Madam Chair. Madam Chair, if I could say, this explanation I think is important to have on the record. This was among the many programs in the District of Columbia that were broken, and I think your response does show some progress by this administration. And Madam Chair, the timeliness of these hearings plus the Council hearings it does seem to me indicate that the District is moving to get ahold of this on its own. I appreciate what you've testified to.

Mr. PRICE. Thank you.

Mrs. MORELLA. I agree it's important to have it on the record. Mr. Price, I don't think I heard you say that you are going to be able to retrieve those properties that have been misused by CDC.

Mr. PRICE. We're looking at the legal ramifications of that now. You know, it could be a combination of trying to outright retrieve the properties and go through whatever lawsuit process we have to go through to get them back. It could be a process of making sure that another development entity comes in and actually finishes up the project in different cases.

The Washington Post article, you have to understand some of the properties that they talk about, some of the projects were not— where CDCs were partners even with for-profit entities and they were projects that actually were anticipated taking 3 or 4 years to complete. So we're just going to have to look at it on a case-by-case basis and make the decision at the appropriate time.

Mrs. MORELLA. It may mean some kind of restructuring of the rules and regulations that you utilize in the future. Also, is there any chance that any of those properties would then be transferred to the NCRC?

Mr. PRICE. Some of those properties are already transferred to NCRC. The properties that they were referring to in Columbia Heights, the Grid property and the Tivoli property are, and those projects are moving forward. So they have already been transferred. The other properties that I think were referred to were single family housing stock and we would either look to put those properties in our program, our home-away program that we've rolled out this year, or we will try to get those developed through NCRC or some other means.

Mrs. MORELLA. And in response to the statement that was made by Mr. Bregon, the District of Columbia is going to be responding with the transparency and with the accountability that HUD would require. I have always been curious about the fact that the Inspector General came out with a report which said we should follow through and that there should be oversight. I always wonder about Inspector Generals' reports, whether they're just done, hidden away, and now agencies respond to it.

So I hope that this hearing and the fact that it has been aired, that you will come back to us and we will see a smoothness in the entire process. Because the concept is a terrific one it's got to be done. In addition, it's the people that are so critically important.

I'm going to jump on another topic now and ask about what is the District's plans for the St. Elizabeth site, and I think this is something that a number of you may be interested in. I know GSA will probably want to comment on that and Mr. Price will and we may have the NCRC also. So would you like to start off, Mr. Price?

Mr. PRICE. Well, I was just going to say in regards to the East Campus, which is part of the whole mental health program, the city is committed to a master plan and the start date for that is going to be in May. We anticipate that will take about 12 months to complete. In regards to the West Campus we are working with GSA and NCRC to establish a vision for the entire campus, and we also hope that process will also begin in May this year.

Mr. WILLIAMS. Yes, ma'am. Madam chairwoman, as Mr. Price said, we are participating with the city as they look at a framework study for the whole site, not just the East Campus but also the West Campus. Currently the West Campus is under the jurisdiction, as I mentioned earlier, of the Department of Health and Human Services and they have transferred—there's a transfer of money going on so that we can proceed with some different surveys that need to be done on the site. Environmental, historical, and archeological type of tests will be done in the ensuing months as well and they've also had some money appropriated, it's my understanding, to maintain the current status of the West Campus. We're most interested, though, in the future and working with this visioning, as Mr. Price said, for what the whole property can be. It really is a tremendous site and one that has untold development possibilities.

Mrs. MORELLA. Ms. Bacon, did you want to comment on that at all?

Ms. BACON. Thank you. As I mentioned earlier, we have excellent planners in the District and we are the implementers and so we are part of the planning process so that we're sure that both we understand what is going on and we would be able to implement them, but as Mr. Heller said, we are trying to develop a center of excellence in terms of real estate development implementation and we stand ready to assist in any way that we can, both in the Federal and city governments, in implementing the plans, and we are at the table in helping to develop the vision that would be carried out.

Mrs. MORELLA. That also reminds me, since you are commenting about other projects, what projects NCRC are working with the CDCs jointly.

Ms. BACON. The only projects where CDCs are involved where we are, are the ones that we inherited from the RLA, as Mr. Price suggested, the Grid property and the Tivoli property. There are applications that are pending and I will go back and confirm if there's anything else, but the only thing that I'm aware of is there are several applications that are pending for projects in the Columbia Heights area. We had an RFP that was put out previous to NCRC's being—taking over the assets, and we're currently evaluating proposals from developers for seven parcels in Columbia Heights and there certainly is a CDC that's involved in at least one of those proposals.

Mrs. MORELLA. I wonder what it would be like if NCRC were in charge of the CDCs, if they all went through NCRC.

Mr. PRICE. They can have that responsibility if they——

Mrs. MORELLA. You responded much too quickly to that one, Mr. Price.

Mr. PRICE. No, no. Actually I would like to followup on that with a quick comment. There have been—you know, there are other funders to these projects. There's Liske, there's Enterprise, there's Fannie Mae. They've also been funding these CDCs for the last decade and we have actually sat down with Liske and Enterprise and talked to them actually about forming a partnership to have oversight of the NDAP program working with the District because they have a collaborative where they have banks and other institutions that invest in CDCs, and so those discussions are underway and one thing we've been talking about is they would take over the administration of that program beginning in probably October or November of this year.

Mrs. MORELLA. Very good. I'm not going to let Mr. Safdar off the hook completely. We also said we are going to talk about enterprise zones and I wondered about the Board of Trade's point of view, and then maybe Mr. Price or Ms. Bacon would like to comment. Tell me about what you see is the effectiveness of the enterprise zone concept and why you think it should be expanded, and then I will ask Mr. Price if are there measurements you have about how effective it has been? Mr. Safdar.

Mr. SAFDAR. Well, I think that the—well, the exact numbers I don't have here and I'd be happy to get you in writing, the ability to do economic development in the District and the turnaround we've seen in the last 4 years, particularly giving credit to the Williams administration. It has been tremendous and the only real issue I think we look at when we see the enterprise zone is the inequity. As with all things, the map is not the terrain, and when you try and use statistics to model particular neighborhoods, you end up with some surprisingly unexpected results.

Georgetown is one good example where the student population, which tends to be very low on the economic scale tends, to make Georgetown look a little more impoverished than it necessarily is. I think as we look around the city and I think as Ranking Member Norton pointed out very effectively and you agree with, the area is too small for a rezone approach to where you cut the city up into particular pieces. The District as an economic center is I think extremely efficient and very small, at the same time very powerful, and the only way to apply these benefits judiciously and even-handedly to a level market playing field is to do it throughout the entire District because the other answer of removing those benefits for people who already have investments in the District is certainly unacceptable to the market.

Mrs. MORELLA. Mr. Price, would you like to comment?

Mr. PRICE. Yes. Just a couple of comments. I also brought Michael Hodge with me to—maybe he can go into a little bit more detail on how effective it's been.

Mrs. MORELLA. Why don't we have Michael Hodge? Did I swear him in?

Mr. PRICE. Yes, you did.

Mrs. MORELLA. OK, great. Thank you, Mr. Hodge.

Mr. HODGE. Thank you. Good morning. I'm very pleased to give you some indication of just how extraordinarily beneficial the enterprise zone designation has been. We have some direct information and of course some anecdotal information, anecdotal because the Internal Revenue Service, as you know, does not track this information. These are purely tax expenditures but we do have information based on our sample.

Concurrent with the creation of the enterprise zone, there was—thanks to Ms. Norton and to this committee, there were also amendments to the Home Rule Act that were beneficial and that play into the enterprise zone, and those involved the ability to expedite our revenue bond approval process and also the ability to issue tax exempt securities on behalf of elementary and secondary schools, which we were not able to do. That culminated in, since enactment of that legislation and the enterprise zone, the issuance of more than $2.7 billion in securities, basically investment in our city. Among that—those bond issues, we have issued in excess of $100 million of enterprise zone facility bonds. These bonds are issued on behalf of private businesses and they involved offices and restaurants. In 1999——

Mrs. MORELLA. What was that figure again?

Mr. HODGE. Approximately $100 million securities. And the program has grown exponentially. We did one transaction in 1999 at $11 million, three transactions at $17 million the following year. Last year we issued bonds on behalf of seven businesses with an aggregate value of $70 million. So it's clearly grown.

So the CVS drugstore at Columbia Heights is an example of a transaction we've recently completed. The K-Mart project, which is part of the Brentwood Shopping Center, we issued $15 million on behalf of that business. We have—we will be funding the Penn Quarter parking facility near the Shakespeare and the Wooly Mammoth.

The employment tax credit again is something that is filed with the employer's tax return and so we don't have direct access to that, but we did surveys on 41 businesses who in combination claimed some $7.7 million of enterprise zone credits.

Again, that's merely a snapshot of 41 businesses. It includes hotels, restaurants and other retailers. There's one large sports facility operator who claimed in 1999 on behalf of 56 District residents some $225,000 in credits. That doubled in 2001, prompting them to claim some 113—some $615,000 on behalf of twice as many workers, 113 District residents.

Again, because of the expanded authority under the bond program, we have been able to finance 11 elementary and secondary schools with bonds valued at $115 million, and among these are two public charter schools, the first charter school financings that we've done, and we now have four additional charters schools in our pipeline now that they understand that this can work. Despite all—yes.

Mrs. MORELLA. Excuse me, sir. The charter schools, are they special education charter schools?

Mr. HODGE. Yes. The Washington Very Special School for the Arts, that's a school on 16th Street that provides services to children that have developmental disabilities, and they use the arts as a vehicle for—as a pedantical device.

The Seed, a public charter school, also provides services to special needs children, and the other elementary and secondary schools that we've financed also involve residential and day treatment for special ed and some regular school program children as well. The enterprise zone incentives were scored at 2.—at $1.2 billion and that was quite aggressive, and despite the success we have had in using this program, we doubt that we have exceeded the score.

I bring that up to point out that I think the enhancements we'll be asking for will be at no additional cost to the Federal Treasury. We have not reached that point. And what are those amendments we would seek? Of course extension of the enterprise zone designation until 2009. That would correspond to the duration of the empowerment zones enjoyed in the various States. Also the renewal communities expire in 2009. The District of Columbia in fact is the only congressionally designated area that expires—that only had a 5-year life originally and that will expire in 2003. So we're looking for a conformity there.

We would seek to expand the enterprise zone to the entire city because of the inequities that have been pointed out. The renewal communities also are able to issue enterprise zone facility bonds; however, those issuances fall outside the annual private activity bond volume limit. The District's EZ bonds are subject to the annual cap, and so our housing programs and our commercial development bond programs are in this untenable competition, and we would seek again to have the District treated in a similar fashion as the renewal communities.

The zero capital gains tax treatment that was spoken of earlier today, we have received a ruling from the Internal Revenue Service; that is to say, they issued a private letter ruling expressly excluding providers of digital technology and information technologies from access to that benefit. This is unfortunate. Because it's a private letter ruling we think that a legislative fix is the only way of curing that and we would like to be able to be part of that future of our economy and so we would seek to have that corrected legislatively.

And of course we would seek to have the first-time home buyer tax credit made permanent. The District still has an extraordinarily low rate of homeownership, and the first-time home buyer tax credit is targeted. It is targeted toward low and moderate income households. There is a cap there.

Finally, something that we had not discussed with this committee previously is something that we think is very powerful and again is at no additional cost to the Federal Treasury, and that would be a grant to the District of Columbia of triple tax exemption. Of course people buy tax exempt securities because they are exempt. They do not have to pay interest on the Federal taxes on the interest earnings.

The States and localities may or may not honor the exemption that attaches to a particular state issuance, and indeed that is often the case with the District of Columbia with some of our neighboring jurisdictions. Because the District doesn't have a State or county government, we really are the only jurisdictions that operate without an—outside of an intergovernmental fiscal system. We don't have a county partner or State partner to contribute tax revenue or handle programs. This triple tax exemption would be a way for the Federal Government to participate with the city by providing that our securities would be issued—would be exempt from all State and local Federal taxes.

There is precedent for this for other jurisdictions that have a special relationship with the Federal Government. So this benefit is enjoyed by Puerto Rico, the Virgin Islands and American Samoa. We think it certainly is justified in the case of the District of Columbia, would enhance our fiscal capacity, again, at no cost to the Federal Treasury.

Ms. MORELLA. Well, thank you, Mr. Hodge. You did a great job. Thank you very much. My questioning is pretty much completed. I now recognize the ranking member for her questions.

Ms. NORTON. Thank you very much, Mrs. Morella. I do also have some questions of the NCRC. I thought I had to find out as much as I could about the CDCs. I do want to say I appreciate how Mr. Hodges made information about the tax credits available, freely available to businesses and how the city is handling that. On the intangibles, one of the reasons why capital gain isn't used fully, as Mr. Heller indicated, one of the reasons is that intangibles are not included. By the way, they are never included. I do have intangibles in my citywide enterprise zone bill. I do want to indicate here for the record that the capital gains limitations—and here I had lots of allies on the capital gains limitations—because all of this, all of our capacity has not been used as you just testified, I am going to be arguing very strenuously for expansion of the capital gains authority. For example, for the capital gains authority, unlike the other authorities, it can be used only in 10 percent poverty zones, and 80 percent of the business must be involved. My bill erases, of course, the zones and make it city wide and lowers the 80 percent to 50 percent and does allow intangible property.

I do have a last question on the CDCs. First, are they audited along with the rest of the D.C. government?

Mr. PRICE. DC does audit the CDCs, yes.

Ms. NORTON. No, are they audited like agencies of the D.C. government by an independent auditor.

Mr. PRICE. I don't believe so.

Ms. NORTON. I wish you would report back. I mean, that may be part of the problem. You are here talking to the Enron Congress. Even when there is an outside auditor, as you can imagine, there develops a relationship so there may be a problem. So I want to know—let me ask you to do two things: I want you to report back to this committee within 60 days of how the auditing takes place and how the city intends to make sure that auditing is done on an independent basis without any agency or anybody else who is involved.

In other words, I do not believe it is right that agencies of the D.C. government have to submit themselves to an independent auditor. But if you happen to have a contract from HUD involving D.C. money, you don't have an independent auditor look. I don't think that independent auditor should be chosen by each CDC. Again, you're talking to the Enron Congress. I think that—that somehow there should be some level playing field involved.

So I ask that you report back in 60 days on that. I ask you to report back on the status of the properties that were underdeveloped. Let me just say, I know the city doesn't like for us to say report back. This is legitimate oversight of the D.C. subcommittee. And while we have complaints from the city, particularly when I have asked for reports back, let me just say, and just carry this back to the city, better to report back to me than to have other committees of the Congress intervene into your business, as one subcommittee has already attempted to do. I am trying to say to that subcommittee, back off.

You will do it. One of the ways we're going to do that is that you're going to report back to this subcommittee on what you're doing. I ask that those things be done within 60 days. The city has not always honored the time limit. I don't want my staff to have to call and say by the way it's past the time period. So I would appreciate that.

Let me ask, finally, has any evaluation of outcomes—I congratulate the Mayor and the city for the kind of performance reviews, evaluation of agency outcomes that you're doing, everybody has been very impressed with that. Is any such evaluation of outcomes or performance reviews done with the CDCs?

Mr. PRICE. That's one of the things that Mr. Jackson is doing right now. I mentioned several different outside groups that he was bringing in like Apt Associates like working with Fannie Mae and working with Lisk, that's the process that they're going through currently.

Ms. NORTON. If you would simply report back in 60 days on that, I think that would take care of that.

Could I ask Ms. Bacon, does the D.C. independent—does the D.C. IG audit the outcomes of the NCRC? If he wanted to, could he come in and audit the outcomes of the NCRC the way he does throughout the government, the Mayor's office, the way he can do anywhere else?

Ms. BACON. I'm afraid that I really don't know the answer to that, but I would be happy to report back to you on that.

Ms. NORTON. Do you know the answer to that?

Mr. PRICE. You know I don't. I'm also on the board of the Housing authority. I know he has requested and the Housing authority thought he didn't have that ability. But I think at the end of the day, they agreed that he did. So I don't know if NCRC, if the law is similar to the Housing authority.

Ms. NORTON. Of course, that's a Federal agency. Well, it's an agency funded wholly by the Federal Government. So if the D.C. audit can go into the Housing authority, I would like you to report back on that. Let me give you my honest-to-goodness opinion, it is the money—the NCRC has funds from the Congress of the United States. Now, if you would like us to have the Congress of the United States do the audit, then we would be glad to do it. Other than that, I would like, within 60 days, to know whether you believe the IG has the authority, and if he does, not whether you will be submitting—whether you will be submitting legislation to give him that authority. We are very impressed with what they've done so far, but we believe that anybody who gets money from the Federal Government or from the District of Columbia should be treated any differently from other agencies.

Let me ask Ms. Bacon, how did you choose the areas? There must have been a lot of competition to be chosen. What is it, six areas?

Ms. BACON. For the priority areas?

Ms. NORTON. Yes.

Ms. BACON. In fact, the number of areas that are listed in our revitalization plan as priority areas are greater than that. These are areas which were established during the whole process of developing the revitalization plan, and include enterprise areas, etc., that were determined to be underserved. And we are trying to focus on specific projects within those areas so that we are trying to address the unmet needs and the economic development potential, both east of the river and on the another side of the river in the main part of the District.

So these are really areas that coincide with enterprise zones and other priority areas of the District, and also projects that we have decided we should focus on for the immediate time within those areas.

Ms. NORTON. How do you do procurement? Do you do your own procurement?

Ms. BACON. Yes, we have our own procurement rules, which I would be happy to submit to you. They were submitted last year to the Council for review as well. We don't have to carry out the same kind of procurement processes as the District does, but we certainly do enter into the spirit and also the requirements of competitive procurements. We can do sole-source procurements under certain conditions as well.

Ms. NORTON. One thing I would ask you to look into, I believe you may be eligible to use the GSA schedule. If so, it would save you some money if you could use the GSA schedule. And I'd ask you to look into that and see if you are eligible. I don't have any doubt about your rules for competitiveness but, of course, that's taken care of in the GSA schedule.

For paying off bonds, what's the source of revenue for paying off bonds? First of all, are your—is your authority backed by D.C.? I mean, do you work through D.C.-backed bonds the way agencies do?

Ms. BACON. We are subject to the D.C. Cap. And we have not actually gotten to the situation where we would be issuing bonds. So I don't have the details about the bond issue.

Ms. NORTON. But go through the same process that a city agency does because you're subject to the cap.

Ms. BACON. We are subject to the cap. Again, I would like to be able to report back to you on the details.

Ms. NORTON. Yes. I understand you're in startup. Tell me about your ideas for self-sufficiency? What is the process you're undertaking to arrive at a self-sufficiency plan?

Ms. BACON. What we are doing currently is checking, first of all, with other similar, or not so similar, agencies around the country, agencies with development authorities and others who have been charged with doing economic development in their particular areas. Some of them have operational support, some of them don't. Some of them have other powers than we do. And so we're looking at all the other similar organizations around the country.

And then we're looking at what would be the potential revenues and also the staff costs for different kinds of things. First, we feel that we're ready to serve as development manager for major projects. That would be a revenue-generating source. We are as I mentioned, receiving revenues from the Gangplank Marina. That is owning property and generating revenues. We will be generating revenues from doing developments in joint venture with private developers or with nonprofit developers.

And so the board has asked us to do a paper that is due in several weeks that will outline different options for self-sufficiency, and then the board will look at that and we're going to have a retreat actually on the 22nd of March where they will be looking at these different proposals we've made and make some preliminary decision as to how we do believe we can become self-sufficient.

Ms. NORTON. Mr. Safdar, could I ask you, are you in an enterprise zone that can take advantage of our D.C.-only tax credits?

Mr. SAFDAR. You mean the New Economy Transformation Act?

Ms. NORTON. No, I mean our tax credits, the Federal tax credits. Which allows you, for example, for every D.C. employee on your payroll, you got $3,000 off the first $15,000.

Mr. SAFDAR. No, ma'am, I am not. We are constantly looking for new real estate.

Ms. NORTON. Did you get here on your own or because the District helped you—you mean—I mean we're so glad to have you. Here is a technology company, a small one here.

Mr. SAFDAR. And profitable. I know I'm kind of rare.

Ms. NORTON. Didn't move to Maryland where they all move to or Virginia. So you're kind of rare. Because you are rare I expected you to say that you were lured by some kind of incentive or you're—were you lured by the D.C. incentive?

Mr. SAFDAR. I must confess that because my business is in the world of politics, I moved here from New York, moved into the district relocated my residence and moved my family and we have never looked back. The business has grown very well. And one of the things that's going to keep us here is, in fact, the New Economy Transformation Act, because it allows you to earn various credits as a tech company and then build them up and keep them for future years. Every company that takes advantage of these incentives actually has an incentive never to leave, because once you leave the District, you lose those built up benefits.

Ms. NORTON. I like that part of it, you have to pay back.

Mr. SAFDAR. There's a lot of other intangible reasons you would like to stay in the District. The quality of life is simply superior. I think on your issue of intangibles and Federal enterprise zones, I think that is really an important topic for a business like my own where what we produce is either software which has no tangible component if it is delivered over the Internet as ours is, or consulting advice, there is no incentive necessarily to move to the enterprise zone that is as strong as if we produced mops, for example.

Ms. NORTON. There's a lot of incentive. For example, where are you located?

Mr. SAFDAR. Near the corner of Vermont and K.

Ms. NORTON. This is an example because if you're near Vermont and K, which is near 5th and K, this is an example of why it makes no sense for us not to have a citywide enterprise zone. I don't think you should move. By the way. I really am not encouraging that. But I would like to say that the fact that you can get $3,000 off the first 15,000 you pay any D.C. employee helps us and would help the employer, so there is an advantage although we're glad to have you where you are.

Mr. SAFDAR. I stand corrected. I would like to point out that the prohibitation currently on intangibles means that those information industry businesses which can provide a career path and improvement path for individuals in an enterprise zone is not as well incentivized as it could be. I think you're proposal is very important, and whatever we can do to help, I want to make that offer.

Ms. NORTON. Appreciate it. Madam Chair, I would like to ask GSA a few questions.

First the Chair has raised the very important question of St. Elizabeth's. If ever there has been a plot of land that people talk about and do nothing about—and this is not, by any means, a District of Columbia problem. District of Columbia, of course, has the east side, doesn't have the west side. When I first came to Congress, let me tell you the Congress wanted to give you all of it, then you would be in real trouble. In fact, it was about to come over. I stopped it because it was coming over with all of that baggage that would have made it—which would mean you would clean up all that the Federal Government had done to it.

I do want to make sure that what the Chair has done in opening up this conversation once again about St. Elizabeth leads to some concrete action. I know that the Mayor has tried his best to try to do something there and always is stymied in no small part by the Federal Government's role here.

I wonder with GSA at the table, with Mr. Price—and that's not often the case, whether or not two of you—I mean, for a hearing. It is certainly often the case with respect to economic development in the city. And I appreciate the way the GSA cooperates with the city. But I wonder if you, Mr. Williams, and you Mr. Price, could indeed sit down to determine if you need legislation to develop the St. Elizabeth's site and report back to this committee, if you don't need legislation, then we need to know what you need. If you need legislation, for example, it could be legislation taking off from the Southeast Federal Center site.

If that's what you need to kind of move us off the dime, then I'd be willing to ask the chair if she would move with me to try to move in that direction.

If there is something you need the Federal Government to do, if there is some way in which GSA cannot move any further or faster than it is doing we need to have that—we need to have that spelled out so that St. Elizabeth's becomes more than a topic of conversation.

Now, could I ask you, Mr. Price, all of us here have been a part of the Anacostia Waterfront Initiative, and I'd like to know what the status is of the initiative. You had a big celebration on a big ship out there a while ago. Does this project need legislation to proceed? Many Federal agencies are involved who own or occupy a part of the waterfront. The District has been working very hard on the waterfront. But I'm not quite sure what the comprehensive Anacostia waterfront, that is to say, that part that is out there on the water, whether it is going and what it would take to make it really happen in less than 50 years.

Mr. PRICE. Right. Well, the planning process for the Anacostia waterfront is well underway. As you said, I think there are 16 or 18 Federal agencies that have been involved in that process. And Elinor might want to comment on a little bit more, because NCRC is heavily involved in that. So there are, I have seen from the director of planning and Elinor several plans for that. But you raise a good point, really, in regard to both St. E's and the waterfront. Because really, it's the infrastructure cost and the funding for that is critical here. We have been talking about St. Elizabeth's for a long period of time. We've been talking about a waterfront. But there are some significant infrastructure costs that need to be covered there. And there are some creative ways we think that we could go about funding those.

We do—and I welcome coming back with GSA and coming back to you and talking about some those creative ways both from the District standpoint and from the Federal Government standpoint of how we can fund those infrastructure costs to get that kind of private development, the kind of development that your legislation is helping at Southeast Federal Center. In terms of some specifics, don't know if Elinor wants to comment a little bit.

Ms. BACON. Thank you, Mr. Price. One of the things I think is very exciting, we have the overall planning effort that is being undertaken by the office of planning. And then we have the example right now of the first—well, of course, there is the Southeast Federal Center, which is part of this whole effort, but you have NCRC and the Office of Planning and the Office of the Deputy Mayor working together to develop an actual development plan for the southwest, which I showed you earlier.

And in this regard, we're working very closely with John Parsons and others in the Federal Government to be looking at how we could partner with them, because that would be a critical element. The infrastructure costs, in the southwest alone, we project at between 30 and $40 million. This is for the infrastructure costs for the underground utilities, for the extending the Promenade, for closing the street, etc. And so we certainly would like to come back and talk with you further about that particular project.

Ms. NORTON. Staff informs me, and now I remember that we actually got $8 million in the last omnibus, the last year of the Clinton administration, for downpayment on St. E's cleanup, and that was dropped in a final bill. It may be that we can revisit that. I have only a few more questions if I could find about the Southeast Federal Center status of that. I haven't been able to ask questions of the GSA. I will do it quickly at your urging, Madam chair.

I'd like to know what's the status of the RFP for the entire southeast—I was told the RFP would go out in March. Well, you know we're approaching March 15th. Is it going to go out this month?

Mr. WILLIAMS. Will, Congresswoman Norton, yes, ma'am, actually it's the RFQ that is going out.

Ms. NORTON. RFQ, I'm sorry.

Mr. WILLIAMS. We do have—as when I met with you late last year I told you that I was going to try to move it closer to the date to which we met. We have finished the framework of the documentation. The work on the RFQ is done. What we've done recently, and it really bespeaks the relationship that we're building with the District of Columbia, we met Joe Moravec, the Commissioner of Public Buildings, and I met with the Mayor and some of his staff and our staffs to discuss the Southeast Federal Center, where to go. And we wanted the District to make sure that we all had the right shared vision for that site as part of that RFQ process. The RFQ is going to go out on the street this month.

It's important, though, that as a part of that RFQ, there's an explanation of what the vision for that 55-acre site is so that we'll get the best ideas from the marketplace. Because that's—we want people to play. We want people involved in that project. We're going to have the best ideas in the private sector. So we want to give them as much information as we can.

And as soon as—and we're developing our final work with the city now. We expect to have that out. We will have that out in March.

Ms. NORTON. Please come here and brief the staff on what it is you're talking about because I don't know what you're talking about. Please come and brief the staff and what you are talking about this vision notion, because we have not been briefed on that either.

Mr. WILLIAMS. Yes, ma'am. Before you develop a large parcel——

Ms. NORTON. The Chair wants me to finish. I need a briefing, not an explanation.

Mr. PRICE. The city is actually meeting with you Monday, and that is going to be the topic of that meeting.

Ms. NORTON. Thank you. Could I have a status report on the construction of the DOT building at the Southeast Federal Center?

Mr. WILLIAMS. Yes, ma'am. We signed the lease the first of February. We're finishing the requirements and the occupancy agreement with Transportation dealing with their security issues. And some need possibly for some additional space in that area as well. So we're proceeding on that.

Ms. NORTON. There are two other buildings that we worked hard on up here. And you mentioned one in your testimony, the Tariff

Building, but we haven't seen anything happen here; then there's the Old Post Office building. I would like to know the status on both of those.

Mr. WILLIAMS. Yes, ma'am. The Tariff Building, there is work ongoing.

Ms. NORTON. There is work. I'm sorry. I've seen—you're doing some kind of gutting or something inside.

Mr. WILLIAMS. Yes, ma'am. The contractor representing Kempton Group is developing that site into a hotel. They're doing the interior work.

Ms. NORTON. Do they have any date for completion there?

Mr. WILLIAMS. I don't have that, but I'll get it to you for the record.

Ms. NORTON. This is really a major thing they've done. Because here, the GSA is developing a site that it owned into a hotel, but it was a historically preserved site. So you had to have very special rules for how it is developed. No private developer without the Federal Government being involved could ever have done it. What about the Old Post Office site? This is a big waste right here, what is it, 12th and Pennsylvania Avenue, a prime tourist spot that has always been underused ever since it no longer was a post office.

Mr. WILLIAMS. Yes, ma'am. I would agree Congresswoman Norton that we haven't done very well in the past with the Old Post Office. The plan that was launched in the 1970's just didn't work. And in June 2001, both the House and Senate authorized us to implement a new plan for that building, which includes the award of a new lease for the entire building without restriction on how the uses are going to be apportioned within the building. We're working on that now. We're going to be releasing a request for proposals this summer on the re—it's going to be a lot of renovation work but it's also going to be a complete recasting of that project.

Ms. NORTON. Don't let the building season pass you by. Madam Chair, I am through. I do want to indicate to the GSA, this is a building that was largest—the largest structure ever built by the Federal Government is the Ronald Reagan Building. There have been many complaints from the Federal tenants about this most expensive Federal structure ever built. We pressed it very hard because it's an international building and therefore there is an effect for the entire region and the city, an economic effect.

They asked me to come and personally tour the Ronald Reagan Building. I did so 2 weeks ago. I was concerned about the level of maintenance of the building. Here are people paying top dollar for being on Pennsylvania Avenue, very near the White House, and they wanted me to see for myself what we found and we toured, it was the EPA part of the building, turned on the water, it says hot water, no hot water. Stains. I'm sorry, USAID. Stains on the carpets all up and down the halls, walls that needed painting.

Now, the problem is with this is this is the prime space in the District. It's the most expensive space in the District of Columbia. What the Federal Government has done is to say because we wanted an international trade building, we will insist that Federal agencies that have to do with trade be in that building. Of course, they thought they were getting prime space there. And very crowded space. Constant complaints to the GSA. Some of the space unrented.

My inclination is to ask my committee of primary jurisdiction to hold a hearing. But I want you to know I have seen it for myself, and I want to ask you what you suggest should be the next step. This is my last question, Madam Chair, having seen the problems in the most expensive rent, building with the most expensive rent in the District of Columbia.

Mr. WILLIAMS. Yes, ma'am. Congresswoman Norton, I would agree that we have some obvious disconnects there. I've been trying to schedule a meeting with the head of the USAID for the last week or two myself, and for some reason, have not been able to get on his calendar. I am very concerned about the—about the reports of conditions there. I've met with one of the tenants in the building in the last couple of weeks and talked with them about the same issues. There are also some people have security concerns in the building as well. Clearly something that we need to deal with. And I'll be more than willing to report back to you in the next—within the next month about the progress that we've made.

Ms. NORTON. I appreciate your doing that. Mr. Williams, I want you to know that the head of the—the head of the USAID put out an RFP to actually move out of the building. If they moved out of the building, you would have a massive hole and you would I have a hard time getting someone to move into that building, especially because the Congress has said it has to be an international agency. So I would ask that you do set up that meeting within the next week, and I will ask that my staff be invited to the meeting.

Mr. WILLIAMS. Yes, ma'am.

Ms. NORTON. Thank you very much Madam Chair, for your indulgence.

Ms. MORELLA. I found it to be very informative and very helpful. I think we can move ahead. I wanted to ask NCRC, since you talked about Southwest and Gangplank. What about Arena Stage, do you have any plans for that expansion?

Ms. BACON. The arena stage itself has plans that they're developing, and our plan is going to be very synergistic with its plans, so that we are all part of the same redevelopment effort. But they are doing their plans and ours will be in coordination with theirs.

Mr. PRICE. We're actually working with Arena Stage. They have made a request to the city for some $25 million. When I talked to you about some of the creative financing that we can do, and perhaps the Federal Government, it's also related to the Arena Stage development.

Ms. MORELLA. Very good. Mr. Williams, you may need for St. Elizabeth's some legislation with regard to the disposal of the site. Is that something you've thought of?

Mr. WILLIAMS. We would like to take a look at that as well. I think Congresswoman Norton makes a very good comment about—case about the whole issue of how we will redevelop. And it starts with disposal as well. We're going to take a look with the District and also would like to talk to you all about where we could find ways to maybe use some of those newer tools that we've been able to employ in Southeast Federal Center. That's one of the things that we'll look at.

Ms. MORELLA. We'd be glad to help you, as was mentioned, with any mechanism that you may need legislatively or that can come from the Federal Government.

I'm very pleased, Mr. Safdar, that you're doing so well in the District of Columbia. If you're doing so well, you could you have a little branch in Montgomery County, Maryland.

And certainly, Mr. Bregon, I'm glad that you came and appreciate you coming and offering your insight. I think all of us have learned the need for accountability for auditing, for transparency and cooperation to work together. Of course the ranking member is critical to all of this. We can help legislatively and we can help to move things forward, but you're going to have to show internally. As was stated in your testimony, Mr. Bregon, that I think you said something like the successes can only be realized when communities learn lessons from their mistakes and incorporate those lessons into program design revelation.

So I thank you all for being with us. I found it to be a very important hearing, because of all of you and the work that you are doing and will continue to do. So before I adjourn the meeting, I just must recognize the staff because they help put everything together. The majority side, Russell Smith; my staff director, Matthew Batt, Shalley Kim, Rob White, Heea Vazirani-Fales. On the minority side, Jon Bouker and Jean Gosa. So the meeting is adjourned.

[Whereupon, at 12:35 p.m., the subcommittee was adjourned.]